

ALABAMA PACT

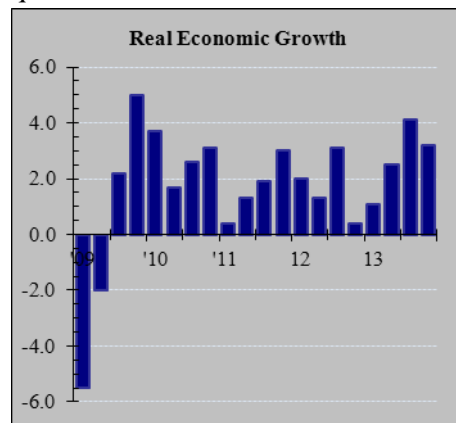
PERFORMANCE REVIEW DECEMBER 2013



ECONOMIC ENVIRONMENT

Ben Bernanke Taps Breaks as He Prepares to Leave

The stars lined up to provide a favorable economic climate in the fourth quarter of 2013:



Following the surprisingly robust third quarter GDP rate of 4.1%, the fourth quarter's figure of 3.2% indicated that the economy is strong. The job market continues to improve steadily but slowly, although December hires were disappointing. Housing prices and new starts were solid and manufacturing grew at a

relatively fast pace. Consumer confidence was near the top of the scale and inflation stayed remarkably tame, thanks to the Fed's steady hand and ongoing bond purchase program. In addition, Congress finally hammered out a two-year budget deal, although the debt ceiling issue remains unresolved. Finally, the Fed started a modest tapering program that garnered investors' praise and drove US stock prices to record levels.

- *The fourth quarter GDP growth rate was 3.2% and the final revision to the third quarter rate was 4.1%. These are both significantly above the 2.5% expansion in the second quarter of 2013*
- *December job growth was a disappointing 74,000, but overall unemployment dropped to 6.7%. This was 1.2% below the rate just one year ago*
- *Housing prices continued to advance through November (latest data available). For the latest 12-months, price gains were*

11.8%. There was more good news on the foreclosure front. November foreclosures of 46,000 were down 29% from one year ago.

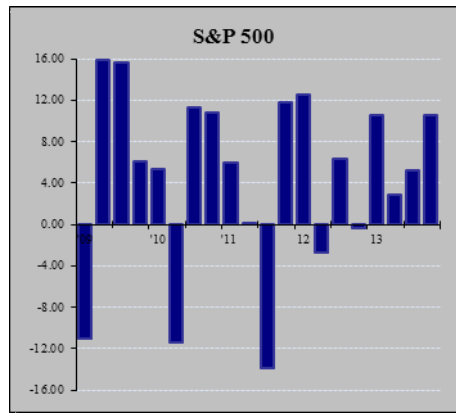
- *The December ISM Manufacturing Index was 57%, scoring the second highest reading of the year and the 55th consecutive month of expansion! New orders were also robust as that index rose to 64.2, the highest since April 2010.*
- *At year-end, the Consumer Confidence Index stood at 78.1, close to the April 2008 pre-recession high of 81.9. Consumers expressed optimism regarding future economic growth and job prospects; however, that confidence did not extend to wage gains.*
- *Inflation remained tame at 1.5% for the 12 months ended December 2013.*
- *Lawmakers were able to agree on a Federal budget for the next two years. In addition, the ongoing budget sequester was pared back.*
- *After a mid-year false start, the Fed has begun to trim its bond-buying program, known as QE3.*

DOMESTIC EQUITY MARKET

A Record-Beating Quarter

Stock indices performed spectacularly, many ending the year at record highs. The NASDAQ Composite set the pace, soaring 11.1% for the quarter and rocketing up 40.1% for the year. The bellwether S&P 500 advanced 10.5% for the quarter and surged 32.4% for the year. Several of the Russell indices also set records. The broadest of these, the Russell 3000, returned 10.1% and 33.6%, respectively. Large-cap stocks performed better than small caps for the quarter, but the situation was reversed for the year. There was little difference between growth and

value styles for either period. Overall, it was a bang-up year for investors who stayed the course.



Predictably, every S&P stock sector advanced for the quarter. Computer technology returned 15.5%. Basic industry names gained 14%, aided by the turnaround in manufacturing. Financial companies moved up 11.6%, re-energized by the overall economy. Consumer discretionary and staples each advanced approximately 10%,

in line with shopper optimism. Energy, too, gained 9.8%. Utilities (3.9%) brought up the rear as investors drifted away from defensive companies.

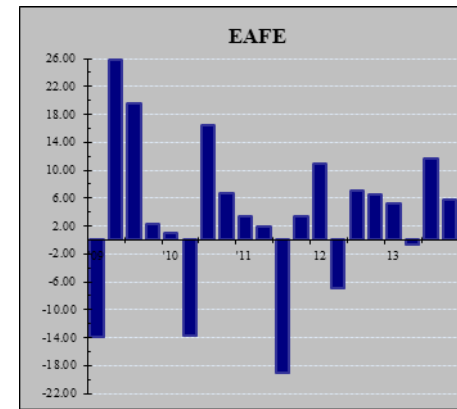
After the breathtaking 2013 performance, the year-end price/earnings ratio is up to 22, arguably pricey. On the other hand, the positive economic outlook and corporate earnings growth could very well point to further gains.

INTERNATIONAL EQUITIES

Developed Markets Performed Well, While EM Did Not

MSCI EAFE developed markets failed to match the US markets, but turned in a respectable 5.8%. The Euro countries led the pack with a 9.7% gain. ECB stimulus helped European share prices. Germany, the heaviest-weighted component, posted 13.3%. France, the other heavy hitter, managed a 6.2% return despite a somewhat sluggish economy. Unexpectedly, indices of the weakest Euro countries rallied as investors were encouraged by their ability to sell new sovereign debt at tolerable

interest rates. Spain rose 11.6%; Italy added 10.7%; and Ireland increased 11.3%. Only Portugal disappointed, gaining a meager 1.3%.



While not part of the European Union, the UK market nonetheless picked up steam in the second half of the year, rising 7.4% in sync with its improving economy.

Australia benefited from firming commodity exports and a depreciating currency. Since the currency decline dominated, its index modestly

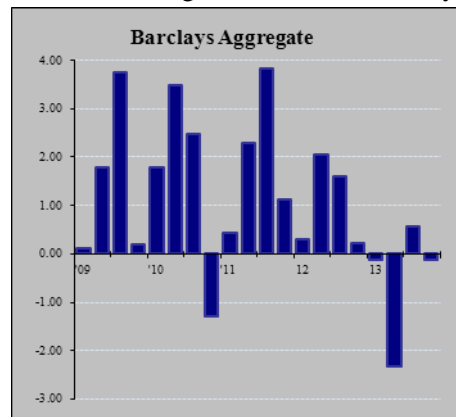
lost ground (-0.8%) in US dollar terms. Other Pacific nations did not fare well either. Japan, the regional heavyweight, added just 2.3%. However, Prime Minister Abe's substantial quantitative easing tactics contributed greatly to the full year's 27.4% return (which was double that in yen terms). Hong Kong, a proxy for China, rose 3.4%. Singapore's market gained a nominal 0.7%, reflecting internal political unrest

Most emerging markets were unkind to investors; the MSCI EM Index appreciated a scant 1.9%. The low return was conditioned by major political, military, weather-related and internal economic problems. EM's full-year return was a negative 2.3% as investor's shunned these countries.

BOND MARKET

Taper Expectations Led to Higher Yields & Negative Returns

The fourth quarter's interest rate hikes killed the performance of long bonds. Starting from an historically low level, interest rates rose in



anticipation of the Fed's tapering. The benchmark 10-year Treasury note yield rose 42 basis points to 3.03% at year-end. Fortunately, interest rates held steady after the December 18th tapering announcement. Accordingly, intermediate and long-dated Treasuries tumbled in price, as the low coupon income could not offset the

price decline. Investment grade corporates fared better, but only high yield (junk) bonds earned a meaningful return. The investment grade Barclay's Aggregate Index, 40% of which is comprised of government obligations, lost 14 basis points for the quarter and 2.0% for the year.

The Treasury component of the index lost ¾% for the quarter. However, the longer the Treasury maturity the more negative the outcome. Treasuries maturing beyond 20-years sustained the most damage; this group gave back 3.2% in total return for Q4 and almost 14% for 2013.

Investment grade corporates managed a positive 1.1% quarterly return, reflecting strong corporate balance sheets. Financial corporates were the best performers (+1.4%) and utilities, the worst (+0.7%). Longer-maturity residential mortgage debt lost 0.4%, despite an improving housing market. By comparison, commercial mortgages (CMBS) gained 0.5% and asset-backed securities (ABS) ticked up 0.3%. The auto credit subcomponent was the best ABS performer (+0.5%), benefiting from

robust auto sales. Overall, these small gains weren't enough to move the Aggregate Index into positive territory.

The below-investment grade corporates again were more sensitive to the bullish equity market than to higher yields, especially since most junk bonds have maturities below 10 years. The lower the credit rating, the higher was the return. The top tier BAs earned an average 3.2%, single Bs added 3.6% and CAAs climbed 4.3%. Investors who were willing to take CA-D credit risk enjoyed an equity-like 10.2% outcome! Still, unless a bond investor had a significant weighting to junk bonds, overall portfolio return remained depressed.

The G-6 Global Treasury return was -1.2%, but masked significant differences among the six country components. Investor confidence in France, Italy and Germany buoyed their respective sovereign debt returns. All three were positive, with Italy the top performer (+5.5%). Canadian sovereigns fell 3.6%, similar to its intermediate US Treasury counterpart. Japan's currency weakness drove down its sovereigns by 6.5%. The UK component return was +0.8%. Emerging market sovereigns collectively earned +0.9%. However, the results were markedly varied. At the top were Honduras (+12%) and the Ukraine (+11%). Venezuela (-3.9%) and Turkey (-2.6%) brought up the rear, as both countries suffered currency depreciation and inflationary pressures.

CASH EQUIVALENTS

The Same Story

Treasuries maturing in less than one year posted net gains of just one or two basis points. This meant that cash was a better choice than longer maturity bonds. It has now been six years since cash equivalents generated significant income.

MARKET SUMMARY

ECONOMIC STATISTICS

	CURRENT QTR	LAST QTR
GDP	3.2	4.1
Unemployment	6.7	7.2
CPI All Items Year/Year	1.50	1.18
Fed Funds Rate	0.25	0.25
Industrial Capacity	79.2	78.3
US Dollars per Euro	1.38	1.35

MAJOR INDEX QUARTER RETURNS

INDEX		PERFORMANCE
Russell 3000	10.1	
S&P 500	10.5	
Russell Mid	8.4	
Russell 2000	8.7	
MSCI EAFE	5.7	
MSCI Emg Mkts	1.9	
NCREIF ODCE	3.2	
Barclays Agg	-0.1	
90 Day Tbills	0.0	

EQUITY RETURN DISTRIBUTIONS

QUARTER				TRAILING YEAR			
	VAL	COR	GRO		VAL	COR	GRO
LC	10.0	10.2	10.4	LC	32.5	33.1	33.5
MC	8.6	8.4	8.2	MC	33.5	34.8	35.8
SC	9.3	8.7	8.2	SC	34.5	38.8	43.3

MARKET SUMMARY

- * GDP increased at a rate of 3.2% in Q4. The BEA revised GDP in Q3 upward to 4.1%.
- * The unemployment rate continued to fall to 6.7%.
- * CPI increased at a rate of 1.5% year over year.
- * Domestic equities surged in Q4. Large Cap Growth posted the strongest performance, while Small Cap Growth posted the weakest.
- * The US Dollar weakened relative to the Euro.

INVESTMENT RETURN

On December 31st, 2013, the Alabama PACT's Composite portfolio was valued at \$203,314,940, representing an increase of \$1,392,888 from the September quarter's ending value of \$201,922,052. Last quarter, the Fund posted net contributions equaling \$639,684 plus a net investment gain equaling \$753,204. Net investment return was a result of \$1,514,697 in income receipts and \$761,493 in net realized and unrealized capital losses.

For the cumulative period since December 2010, the portfolio has posted net withdrawals totaling \$297.2 million and recorded net investment gains totaling \$40.5 million. For the period since December 2010, if the fund returned a compounded nominal rate of 2.0% it would have been valued at \$181.6 million or \$21.7 million less than the actual value as of December 31st, 2013.

As the portfolio wound down its transition process, residual cash and security balances from many of its former managers remained. These balances will dissipate over time as they are liquidated. Because these residual balances were no longer managed actively, and because a meaningful comparative was not possible, individual performance for these small pieces was not presented in this report.

RELATIVE PERFORMANCE

Total Fund

For the fourth quarter, the Composite portfolio returned 0.4%, which was 0.3% greater than the Policy Index's return of 0.1% and ranked in the 39th percentile of the Short-Term Fixed Income universe. Over the trailing year, this portfolio returned 0.4%, which was 0.5% above the benchmark's -0.1% return, ranking in the 77th percentile. Since December 2010, the account returned 3.7% on an annualized basis and ranked in the 2nd percentile. For comparison, the Policy Index returned an annualized 1.9% over the same time frame.

Fixed Income

Last quarter, the fixed income segment returned 0.4%, which was 0.4% greater than the Intermediate Gov/Credit Index's return of 0.0% and ranked in the 38th percentile of the Short-Term Fixed Income universe. Over the trailing twelve months, this segment returned 0.2%, which was 1.1% greater than the benchmark's -0.9% return, ranking in the 85th percentile. Since December 2010, this component returned 3.8% annualized and ranked in the 2nd percentile. For comparison, the Intermediate Gov/Credit returned an annualized 2.9% over the same period.

ASSET ALLOCATION

On December 31st, 2013, international equities comprised 0.0% of the total portfolio (\$74,867), while fixed income totaled 97.1% (\$197.4 million) and cash & equivalent comprised the remaining 2.9% (\$5.8 million).

The total market value of the Alabama PACT Composite portfolio does not include the cash balance of \$14,326,311 that was in the Treasury Account on December 31st.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	-----Annualized-----				
	Quarter	FYTD	1 Year	3 Years	Since 12/2010
Total Gross/Fees	0.4	0.4	0.4	3.7	3.7
<i>SHORT-TERM FIXED RANK</i>	(39)	(39)	(77)	(2)	(2)
Total Net/Fees	0.3	0.3	0.2	3.5	3.5
POLICY INDEX	0.1	0.1	-0.1	1.9	1.9
MANAGER SHADOW	----	----	----	----	----
SHADOW INDEX	0.0	0.0	-0.8	2.9	2.9
International Equity	0.4	0.4	0.4	----	----
AC WORLD EX-US	4.8	4.8	15.8	5.6	5.6
Fixed Income	0.4	0.4	0.2	3.8	3.8
<i>SHORT-TERM FIXED RANK</i>	(38)	(38)	(85)	(2)	(2)
INT GOV/CREDIT	0.0	0.0	-0.9	2.9	2.9
1-3 YR GOV/CRED	0.2	0.2	0.6	1.2	1.2
BARCLAYS MBS	-0.4	-0.4	-1.4	2.4	2.4
BARCLAYS AGG	-0.1	-0.1	-2.0	3.3	3.3

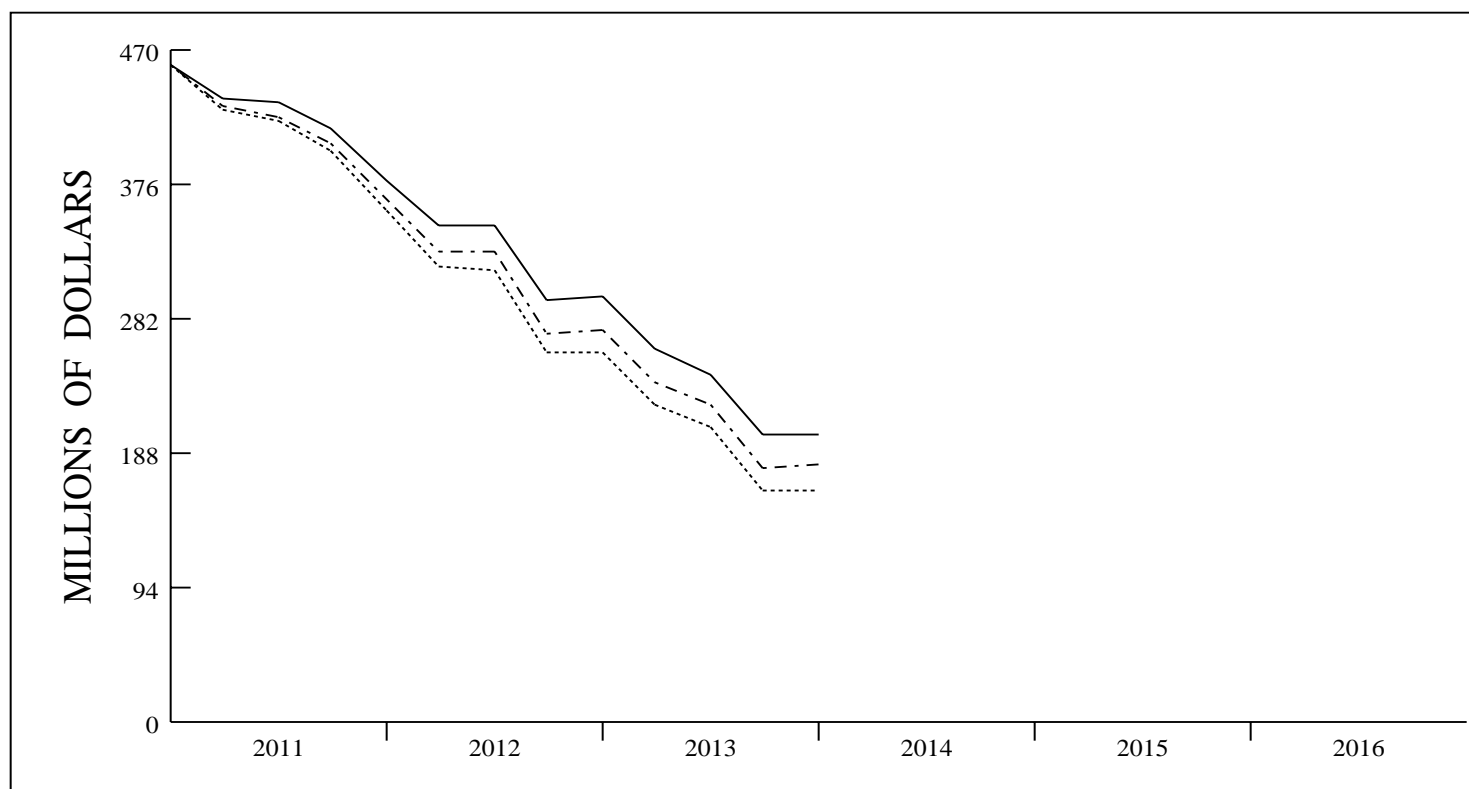
ASSET ALLOCATION

Int'l Equity	0.0%	\$ 74,867
Fixed Income	97.1%	197,391,626
Cash	2.9%	5,848,447
Total Portfolio	100.0%	\$ 203,314,940

INVESTMENT RETURN

Market Value 9/2013	\$ 201,922,052
Contribs / Withdrawals	639,684
Income	1,514,697
Capital Gains / Losses	-761,493
Market Value 12/2013	\$ 203,314,940

INVESTMENT GROWTH

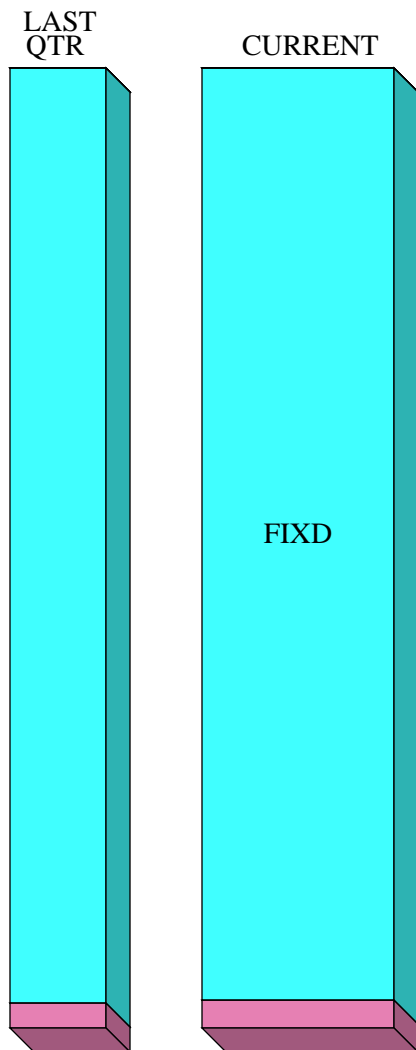


— ACTUAL RETURN
 - - - 2.0%
 . . . 0.0%

VALUE ASSUMING
 2.0% RETURN
 \$ 181,586,511

	LAST QUARTER	PERIOD 12/10 - 12/13
BEGINNING VALUE	\$ 201,922,052	\$ 459,991,904
NET CONTRIBUTIONS	639,684	-297,182,834
INVESTMENT RETURN	753,204	40,505,884
ENDING VALUE	\$ 203,314,940	\$ 203,314,940
INCOME	1,514,697	35,941,319
CAPITAL GAINS (LOSSES)	-761,493	4,564,560
INVESTMENT RETURN	753,204	40,505,884

ASSET ALLOCATION



	<u>VALUE</u>	<u>PERCENT</u>
INTERNATIONAL EQUITY	\$ 74, 867	0.0%
FIXED INCOME	197, 391, 626	97.1%
CASH & EQUIVALENT	5, 848, 447	2.9%
<u>TOTAL FUND</u>	<u>\$ 203, 314, 940</u>	<u>100.0%</u>

MANAGER PERFORMANCE SUMMARY







Name	(Universe)	Quarter	FYTD	1 Year	3 Years	5 Years
Total Portfolio	(ST Fixed)	0.4 (39)	0.4 (39)	0.4 (77)	3.7 (2)	---- ----
<i>Policy Index</i>		<i>0.1 ----</i>	<i>0.1 ----</i>	<i>-0.1 ----</i>	<i>1.9 ----</i>	<i>4.9 ----</i>
Mackay Shields	(Broad Fixed)	2.1 (19)	2.1 (19)	6.4 (15)	7.2 (22)	---- ----
<i>Barclays US MBS Index</i>		<i>-0.4 ----</i>	<i>-0.4 ----</i>	<i>-1.4 ----</i>	<i>2.4 ----</i>	<i>3.7 ----</i>
Longfellow	(Int Fixed)	0.2 (45)	0.2 (45)	-0.5 (51)	3.1 (60)	---- ----
Mackay Shields	(Int Fixed)	0.5 (14)	0.5 (14)	0.1 (24)	3.7 (28)	---- ----
<i>Intermediate Gov/Credit</i>		<i>0.0 ----</i>	<i>0.0 ----</i>	<i>-0.9 ----</i>	<i>2.9 ----</i>	<i>4.0 ----</i>
Longfellow	(ST Fixed)	0.3 (63)	0.3 (63)	0.7 (46)	---- ----	---- ----
Mackay Shields	(ST Fixed)	0.3 (62)	0.3 (62)	0.8 (35)	---- ----	---- ----
<i>Barclays 1-3 Year Gov/Credit</i>		<i>0.2 ----</i>	<i>0.2 ----</i>	<i>0.6 ----</i>	<i>1.2 ----</i>	<i>2.0 ----</i>

MANAGER ALLOCATION SUMMARY







Prior Quarter Market Value	%	Fund Name	Style	Current Quarter Market Value	%
\$25,729	0.0	Acadian	(INEQ)	\$25,929	0.0
\$16,740	0.0	New Star	(INEQ)	\$17,040	0.0
\$32,071	0.0	Principal	(INEQ)	\$31,898	0.0
\$10,581,659	5.2	Mackay Shields	(FIXD)	\$7,736,876	3.8
\$322,516	0.2	Western Asset	(FIXD)	\$278,321	0.1
\$22,692,564	11.2	Longfellow	(IFIX)	\$22,742,689	11.2
\$31,614,170	15.7	Mackay Shields	(IFIX)	\$24,008,892	11.8
\$67,586,145	33.5	Longfellow	(STFX)	\$67,768,839	33.3
\$63,868,945	31.6	Mackay Shields	(STFX)	\$74,856,009	36.8
\$1,599,162	0.8	PACT Cash	(CASH)	\$1,530,284	0.8
\$3,582,351	1.8	Regions Lockbox	(CASH)	\$4,318,163	2.1

MANAGER VALUE ADDED

Most Recent Quarter

Manager	Benchmark	Value Added Vs. Benchmark
Mackay Shields	Barclays MBS	2.5 
Longfellow	Int Gov/Credit	0.2 
Mackay Shields	Int Gov/Credit	0.5 
Longfellow	1-3 Yr Gov/Cred	0.1 
Mackay Shields	1-3 Yr Gov/Cred	0.1 
Total Portfolio	Policy Index	0.2 

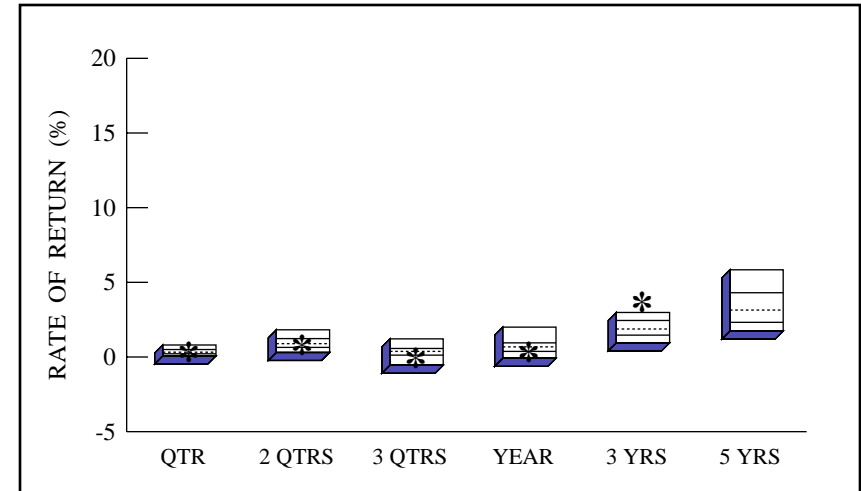
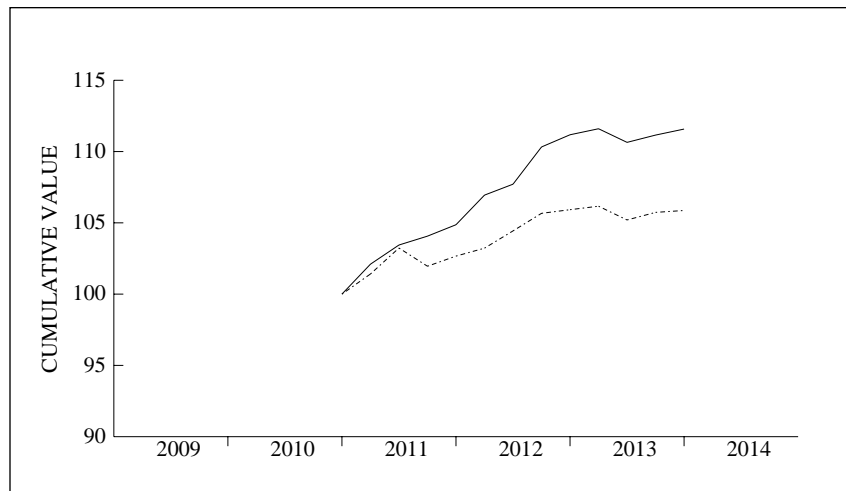
Trailing Twelve Months

Manager	Benchmark	Value Added Vs. Benchmark
Mackay Shields	Barclays MBS	7.8 
Longfellow	Int Gov/Credit	0.3 
Mackay Shields	Int Gov/Credit	0.9 
Longfellow	1-3 Yr Gov/Cred	0.1 
Mackay Shields	1-3 Yr Gov/Cred	0.2 
Total Portfolio	Policy Index	0.4 

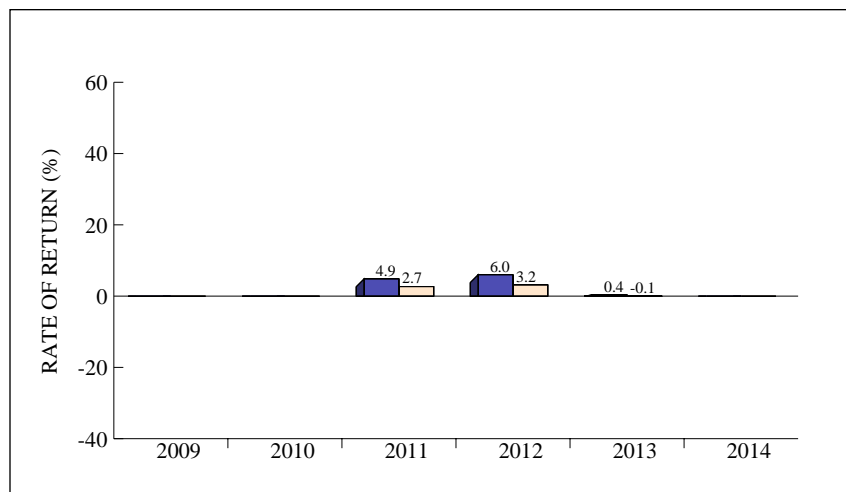
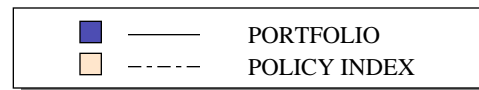
INVESTMENT RETURN SUMMARY - ONE QUARTER

Name	Quarter Total Return	Market Value September 30th, 2013	Net Cashflow	Net Investment Return	Market Value December 31st, 2013
Acadian (INEQ)	---	25,729	0	200	25,929
New Star (INEQ)	---	16,740	0	300	17,040
Principal (INEQ)	---	32,071	0	-173	31,898
Mackay Shields (FIXD)	2.1	10,581,659	-3,050,391	205,608	7,736,876
Western Asset (FIXD)	---	322,516	-24,700	-19,495	278,321
Longfellow (INFX)	0.2	22,692,564	0	50,125	22,742,689
Mackay Shields (INFX)	0.5	31,614,170	-7,725,000	119,722	24,008,892
Longfellow (STFX)	0.3	67,586,145	0	182,694	67,768,839
Mackay Shields (STFX)	0.3	63,868,945	10,775,390	211,674	74,856,009
PACT Cash (CASH)	---	1,599,162	-70,918	2,040	1,530,284
Regions Lockbox (CASH)	---	3,582,351	735,303	509	4,318,163
Total Fund	0.4	201,922,052	639,684	753,204	203,314,940

TOTAL RETURN COMPARISONS



Short-Term Fixed Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	0.4	0.8	0.0	0.4	3.7	---
(RANK)	(39)	(53)	(83)	(77)	(2)	---
5TH %ILE	0.8	1.8	1.2	2.0	3.0	5.8
25TH %ILE	0.5	1.2	0.6	1.0	2.4	4.3
MEDIAN	0.3	0.9	0.4	0.7	1.9	3.1
75TH %ILE	0.2	0.7	0.1	0.4	1.5	2.3
95TH %ILE	0.1	0.3	-0.6	-0.1	0.9	1.7
<i>Policy Index</i>	<i>0.1</i>	<i>0.6</i>	<i>-0.3</i>	<i>-0.1</i>	<i>1.9</i>	<i>4.9</i>

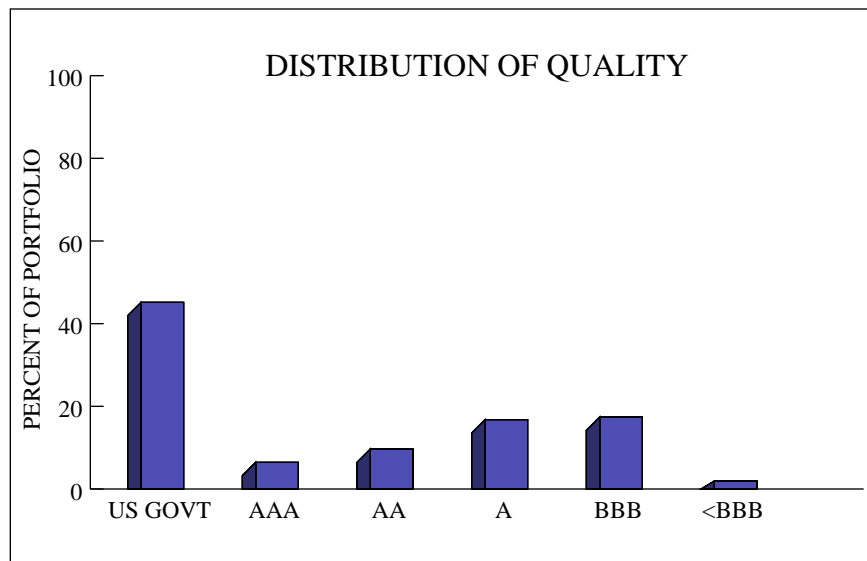
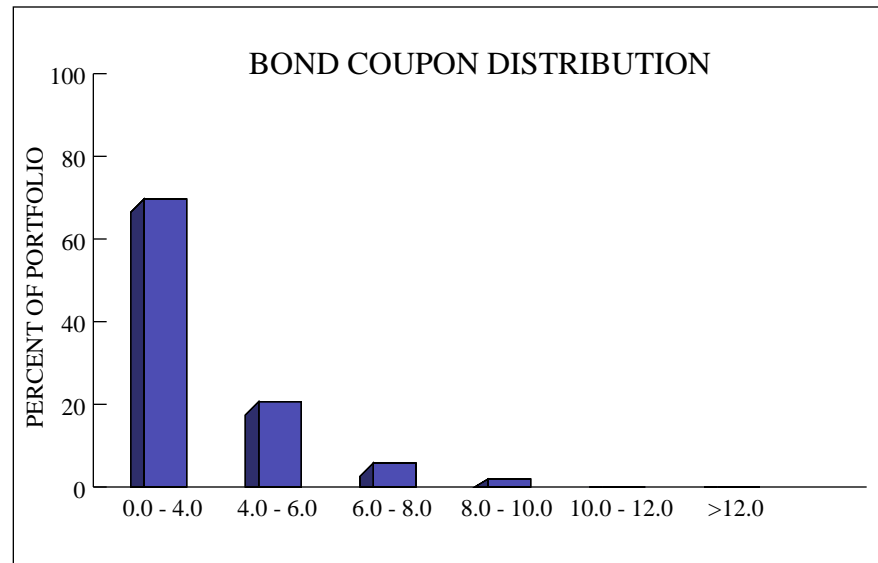
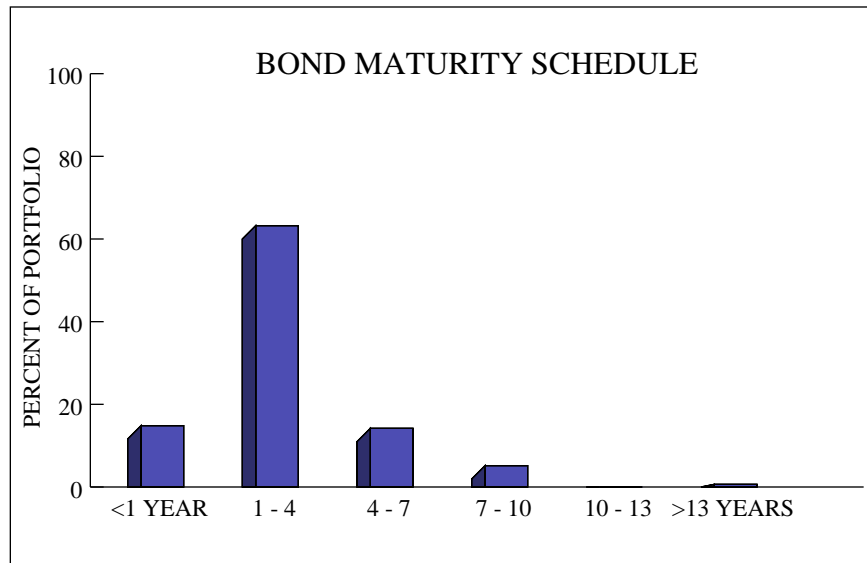
Short-Term Fixed Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: POLICY INDEX****VARIATION FROM BENCHMARK**

Total Quarters Observed	12
Quarters At or Above the Benchmark	10
Quarters Below the Benchmark	2
Batting Average	.833

RATES OF RETURN

Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
3/11	2.1	1.4	0.7	2.1	1.4	0.7
6/11	1.3	1.8	-0.5	3.4	3.2	0.2
9/11	0.6	-1.2	1.8	4.1	2.0	2.1
12/11	0.8	0.7	0.1	4.9	2.7	2.2
3/12	2.0	0.5	1.5	6.9	3.2	3.7
6/12	0.7	1.2	-0.5	7.7	4.4	3.3
9/12	2.4	1.2	1.2	10.3	5.7	4.6
12/12	0.8	0.2	0.6	11.2	5.9	5.3
3/13	0.4	0.2	0.2	11.6	6.2	5.4
6/13	-0.9	-0.9	0.0	10.6	5.2	5.4
9/13	0.5	0.5	0.0	11.2	5.7	5.5
12/13	0.4	0.1	0.3	11.6	5.9	5.7

BOND CHARACTERISTICS

	PORTFOLIO	INT GOV/CREDIT
No. of Securities	386	4,759
Duration	2.20	3.84
YTM	1.70	1.61
Average Coupon	2.60	2.60
Avg Maturity / WAL	2.88	4.15
Average Quality	AAA-AA	USG-AAA

As of: 31-Dec-13

Alabama PACT Longfellow Intermediate

Portfolio Value:

\$22,742,689

<i>Guidelines</i>	<i>Limit</i>	<i>Portfolio</i>	<i>Compliance</i>
<i>Fixed:</i>			
Total market value invested in one issuer	5.0%	less than 5.0%	Yes
Holdings as a percentage of total issue outstanding	5.0%	less than 5.0%	Yes
Average duration must be within 20% of benchmark duration	80-120%	88.9%	Yes
All securities must be investment grade	100.0%	100.0%	Yes
Weighted Average Credit Quality	A	Aa2	Yes
Total market value percentage of MBS, CMBS, and CMO securities	20.0%	10.2%	Yes
ABS Security Limitation	10.0%	7.7%	Yes
Rule 144A security limitation	10.0%	9.8%	Yes
CBO Investments prohibited	0.0%	0.0%	Yes
Investments in Principal or Interest-Only CMOs prohibited	0.0%	0.0%	Yes
Investments in non US dollar denominated securities prohibited	0.0%	0.0%	Yes
Bullet Security maximum maturity limit (years)	10.00	less than 10	Yes

Alabama PACT Longfellow Short Term

Portfolio Value:

\$67,768,839

<i>Guidelines</i>	<i>Limit</i>	<i>Portfolio</i>	<i>Compliance</i>
<i>Fixed:</i>			
Total market value invested in one issuer	5.0%	less than 5.0%	Yes
Holdings as a percentage of total issue outstanding	5.0%	less than 5.0%	Yes
Average duration must be within 20% of benchmark duration	80-120%	90.5%	Yes
All securities must be investment grade	100.0%	100.0%	Yes
Weighted Average Credit Quality	A	Aa2	Yes
Total market value percentage of MBS, CMBS, and CMO securities	20.0%	16.1%	Yes
ABS Security Limitation	10.0%	7.8%	Yes
Rule 144A security limitation	10.0%	8.8%	Yes
CBO Investments prohibited	0.0%	0.0%	Yes
Investments in Principal or Interest-Only CMOs prohibited	0.0%	0.0%	Yes
Investments in non US dollar denominated securities prohibited	0.0%	0.0%	Yes
Bullet Security maximum maturity limit (years)	5.25	less than 5.25	Yes

As of: 31-Dec-13

Alabama PACT Mackay Shields Intermediate

Portfolio Value:

\$24,008,892

<i>Guidelines</i>	<i>Limit</i>	<i>Portfolio</i>	<i>Compliance</i>
<i>Fixed:</i>			
Total market value invested in one issuer	5.0%	2.4%	Yes
Holdings as percent of total issue outstanding	5.0%	0.1%	Yes
Average duration must be within 20% of benchmark duration	20.0%	3.6%	Yes
All securities must be investment grade	100.0%	100.0%	Yes
Weighted Average Credit Quality	A	AA-	Yes
Total market value percentage of MBS, CMBS, and CMO securities	20.0%	0.4%	Yes
ABS Security Limitation	10.0%	0.0%	Yes
Rule 144A security limitation	10.0%	2.8%	Yes
CBO Investments prohibited	0.0%	0.0%	Yes
Investments in Principal or Interest-Only CMOs prohibited	0.0%	0.0%	Yes
Investments in Foreign Securities prohibited	0.0%	0.0%	Yes
Bullet Security maximum maturity limit (years)	10	0	Yes

Alabama PACT Mackay Shields Short Term

Portfolio Value:

\$74,856,009

<i>Guidelines</i>	<i>Limit</i>	<i>Portfolio</i>	<i>Compliance</i>
<i>Fixed:</i>			
Total market value invested in one issuer	5.0%	1.9%	Yes
Holdings as percent of total issue outstanding	5.0%	29.6%	Yes
Average duration must be within 20% of benchmark duration	20.0%	1.6%	yes
All securities must be investment grade	100.0%	100.0%	Yes
Weighted Average Credit Quality	A	AA-	Yes
Total market value percentage of MBS, CMBS, and CMO securities	20.0%	2.9%	Yes
ABS Security Limitation	10.0%	1.6%	Yes
Rule 144A security limitation	10.0%	5.7%	Yes
CBO Investments prohibited	0.0%	0.0%	Yes
Investments in Principal or Interest-Only CMOs prohibited	0.0%	0.0%	Yes
Investments in Foreign Securities prohibited	0.0%	0.0%	Yes
Bullet Security maximum maturity limit (years)	10	0	Yes

APPENDIX - MAJOR MARKET INDEX RETURNS

Domestic Equity	Style	QTR	FYTD	1 Year	3 years	5 Years
Russell 3000	Broad Equity	10.1	10.1	33.6	16.2	18.7
S&P 500	Large Cap Core	10.5	10.5	32.4	16.2	17.9
Russell 1000	Large Cap Core	10.2	10.2	33.1	16.3	18.6
Russell 1000 Growth	Large Cap Growth	10.4	10.4	33.5	16.4	20.4
Russell 1000 Value	Large Cap Value	10.0	10.0	32.5	16.1	16.7
Russell Mid Cap	Midcap	8.4	8.4	34.8	15.9	22.4
Russell Mid Cap Growth	Midcap Growth	8.2	8.2	35.8	15.6	23.4
Russell Mid Cap Value	Midcap Value	8.6	8.6	33.5	16.0	21.2
Russell 2000	Small Cap	8.7	8.7	38.8	15.7	20.1
Russell 2000 Growth	Small Cap Growth	8.2	8.2	43.3	16.8	22.6
Russell 2000 Value	Small Cap Value	9.3	9.3	34.5	14.5	17.6
International Equity	Style	QTR	FYTD	1 Year	3 years	5 Years
MSCI EAFE	Developed Markets Equity	5.7	5.7	23.3	8.7	13.0
MSCI EAFE Growth	Developed Markets Growth	5.2	5.2	23.0	8.3	13.2
MSCI EAFE Value	Developed Markets Value	6.3	6.3	23.6	8.9	12.6
MSCI All Country World Ex US	Foreign Equity	4.8	4.8	15.8	5.6	13.3
MSCI Emerging Markets	Emerging Markets Equity	1.9	1.9	-2.3	-1.8	15.1
Domestic Fixed Income	Style	QTR	FYTD	1 Year	3 years	5 Years
Barclays Aggregate Index	Core Fixed Income	-0.1	-0.1	-2.0	3.3	4.5
Barclays Gov/Credit	Gov/Credit	0.0	0.0	-2.3	3.6	4.4
Barclays Capital Gov't Bond	Treasuries	-0.7	-0.7	-2.6	2.7	2.3
Barclays Capital Credit Bond	Corporate Bonds	1.1	1.1	-1.5	5.4	8.5
Intermediate Aggregate	Core Intermediate	-0.1	-0.1	-1.0	2.8	4.2
Intermediate Gov/Credit	Gov / Credit Intermediate	0.0	0.0	-0.9	2.9	4.0
ML/BoA 1-3 Year Treasury	Short Term Treasuries	0.1	0.1	0.4	0.6	1.0
CSFB High Yield	High Yield Bonds	3.4	3.4	7.5	9.2	18.1
Alternative Assets	Style	QTR	FYTD	1 Year	3 years	5 Years
Barclays Global Ex-US	International Treasuries	-1.4	-1.4	-4.9	0.3	0.7
NCREIF NFI-ODCE Index	Real Estate	3.2	3.2	14.0	13.6	3.7
HFRI FOF Composite	Hedge Funds	3.5	3.5	8.8	2.4	4.5

APPENDIX - DISCLOSURES

- * The Policy Index is a policy-weighted passive index that was constructed as follows:

For all periods through 9/30/2011:

14.0% Russell 3000	6.0% MSCI ACWI ex-US	27% Barclays Aggregate
53.0% Intermediate Duration Hybrid Index		

From 10/1/2011 through 9/30/2012:

75.0% Barclays Intermediate Gov/Credit	25.0% Barclays 1-3 Year Gov/Credit
--	------------------------------------

From 10/1/2012 through 9/30/2013:

50.0% Barclays Intermediate Gov/Credit	50.0% Barclays 1-3 Year Gov/Credit
--	------------------------------------

From 10/1/2013 through 9/30/2014:

25.0% Barclays Intermediate Gov/Credit	75.0% Barclays 1-3 Year Gov/Credit
--	------------------------------------

From 10/1/2014 through 9/30/2015:

100.0% Barclays 1-3 Year Gov/Credit

From 10/1/2015 through 9/30/2016:

100.0% Barclays 1-3 Year Gov/Credit

- * The manager shadow index (manager allocation index) is calculated by weighting each manager's preceding quarter's weight by that manager's current-quarter benchmark return.
- * The shadow index is a customized index that matches your portfolio's asset allocation on a quarterly basis. This index was calculated using the following asset classes and corresponding benchmarks:

International Equity	MSCI All Country World Ex US
Fixed Income	Intermediate Gov/Credit
Cash & Equivalent	90 Day T Bill
- * The Intermediate Duration Hybrid Index is a passive index and is constructed as follows:

85% Intermediate Gov/Credit	15% Barclays US MBS
-----------------------------	---------------------
- * Dahab Associates utilizes data provided by a custodian and other vendors it believes are reliable. However, it cannot assume responsibility for errors and omissions therefrom.
- * All returns were calculated on a time-weighted basis, and are gross of fees unless otherwise noted.
- * All returns for periods greater than one year are annualized.
- * All values are in US dollars.

ALABAMA PACT
MACKAY SHIELDS - CORE PLUS LIQUIDATION FUND
PERFORMANCE REVIEW
DECEMBER 2013

INVESTMENT RETURN

On December 31st, 2013, the Alabama PACT's Mackay Shields portfolio was valued at \$7,736,876, a decrease of \$2,844,783 from the September ending value of \$10,581,659. Last quarter, the account recorded a net withdrawal of \$3,050,391, which overshadowed the fund's net investment return of \$205,608. The fund's net investment return was a result of income receipts totaling \$211,340 and realized and unrealized capital losses totaling \$5,732.

Since December 2010, the account has recorded net withdrawals totaling \$113.6 million while posting net investment gains totaling \$7.7 million. Since December 2010, if the account earned a compounded nominal rate of 2.0% it would have been valued at \$1.9 million or \$5.9 million less than the actual value as of December 31st, 2013.

RELATIVE PERFORMANCE

For the fourth quarter, the Mackay Shields portfolio gained 2.1%, which was 2.5% above the Barclays US MBS Index's return of -0.4% and ranked in the 19th percentile of the Broad Market Fixed Income universe. Over the trailing twelve-month period, this portfolio returned 6.4%, which was 7.8% greater than the benchmark's -1.4% performance, and ranked in the 15th percentile. Since December 2010, the portfolio returned 7.2% annualized and ranked in the 22nd percentile. The Barclays US MBS Index returned an annualized 2.4% over the same time frame.

BOND ANALYSIS

At the end of the quarter, USG rated securities comprised approximately 20% of the bond portfolio, while corporate securities, rated AAA through less than BBB, comprised the remainder, giving the portfolio an overall average quality rating of A-BBB. The average maturity of the portfolio was 5.7 years, less than the Barclays US MBS Index's 7.8-year maturity. The average coupon was 1.8%.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	-----Annualized-----				
	Quarter	FYTD	1 Year	3 Years	Since 12/2010
Total Gross/Fees	2.1	2.1	6.4	7.2	7.2
<i>BROAD MARKET FIXED RANK</i>	(19)	(19)	(15)	(22)	(22)
Total Net/Fees	2.0	2.0	6.3	7.0	7.0
BARCLAYS MBS	-0.4	-0.4	-1.4	2.4	2.4
Fixed Income	2.1	2.1	6.4	7.2	7.2
<i>BROAD MARKET FIXED RANK</i>	(19)	(19)	(15)	(22)	(22)
BARCLAYS MBS	-0.4	-0.4	-1.4	2.4	2.4

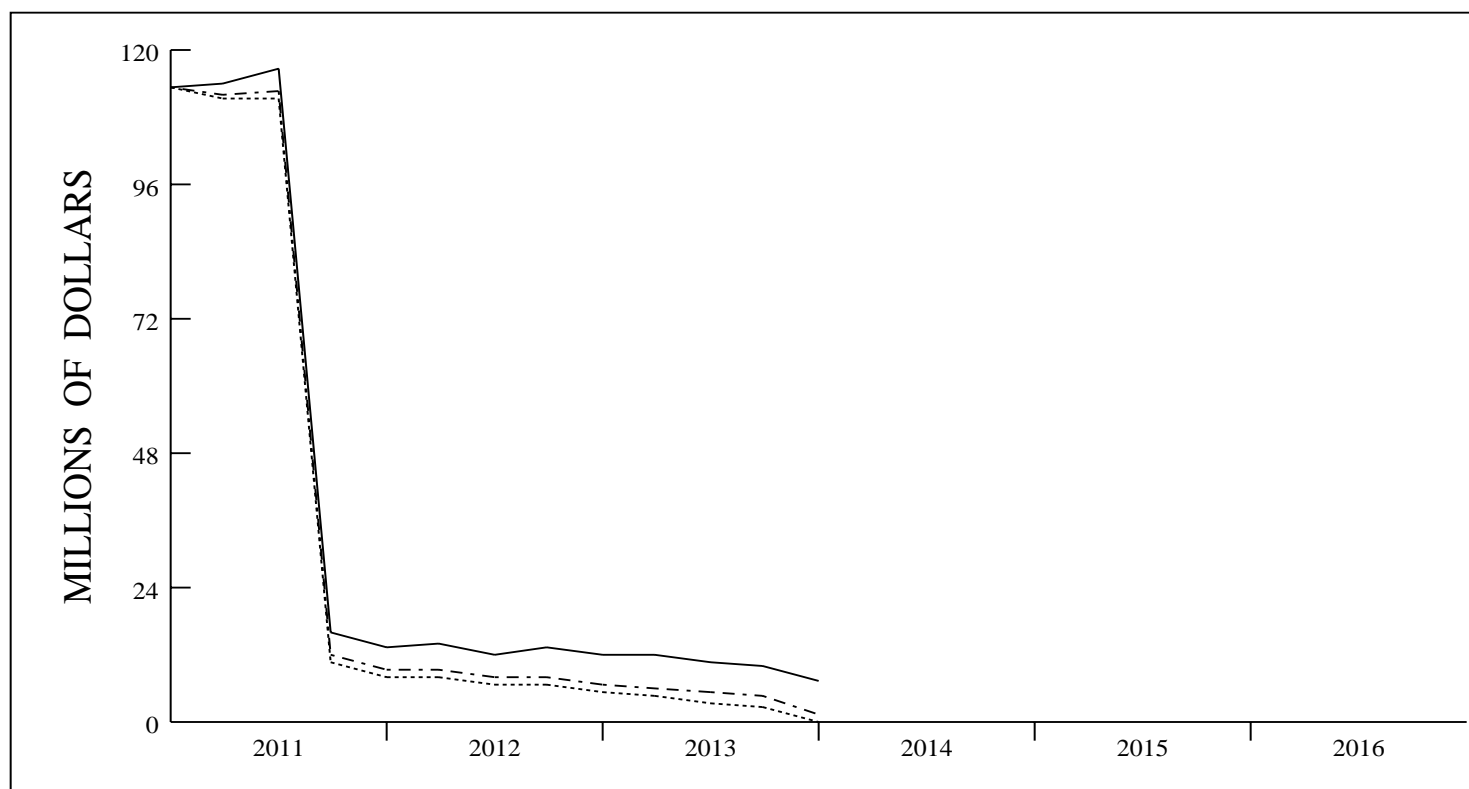
ASSET ALLOCATION

Fixed Income	100.0%	\$ 7,736,876
Total Portfolio	100.0%	\$ 7,736,876

INVESTMENT RETURN

Market Value 9/2013	\$ 10,581,659
Contribs / Withdrawals	- 3,050,391
Income	211,340
Capital Gains / Losses	- 5,732
Market Value 12/2013	\$ 7,736,876

INVESTMENT GROWTH

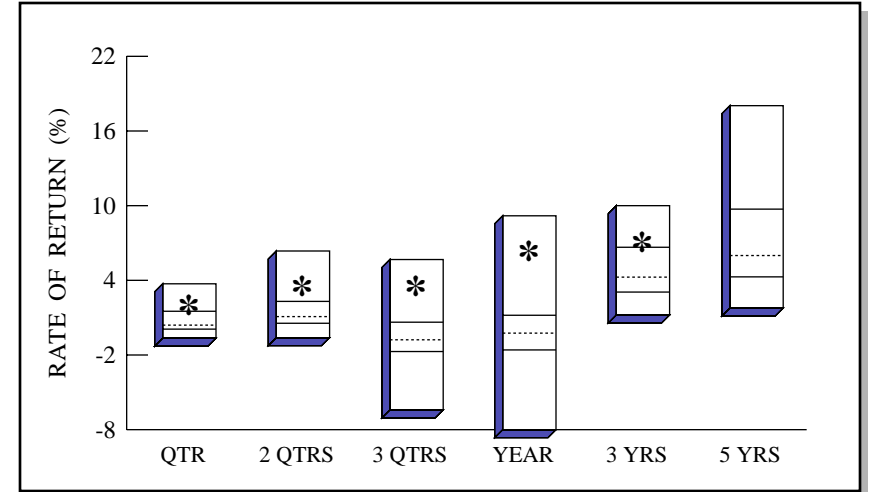
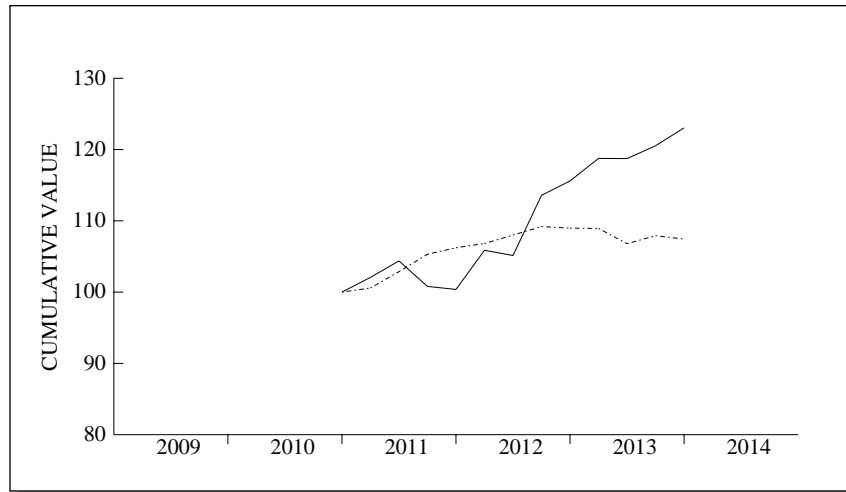


— ACTUAL RETURN
 - - - 2.0%
 . . . 0.0%

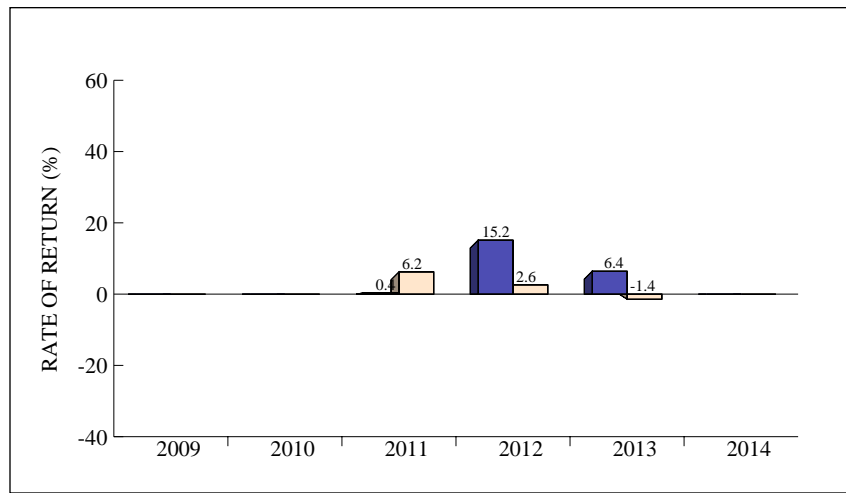
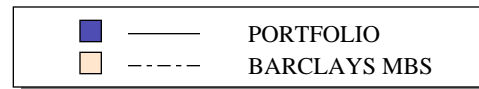
VALUE ASSUMING
 2.0% RETURN
 \$ 1,855,458

	LAST QUARTER	PERIOD 12/10 - 12/13
BEGINNING VALUE	\$ 10,581,659	\$ 113,708,562
NET CONTRIBUTIONS	- 3,050,391	-113,636,667
INVESTMENT RETURN	205,608	7,664,978
ENDING VALUE	\$ 7,736,876	\$ 7,736,876
INCOME	211,340	7,229,730
CAPITAL GAINS (LOSSES)	- 5,732	435,248
INVESTMENT RETURN	205,608	7,664,978

TOTAL RETURN COMPARISONS

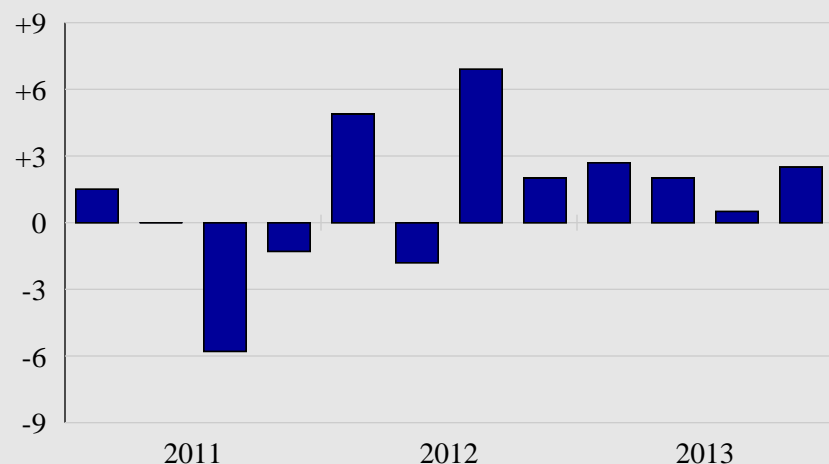


Broad Market Fixed Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	2.1	3.6	3.6	6.4	7.2	---
(RANK)	(19)	(17)	(16)	(15)	(22)	---
5TH %ILE	3.7	6.4	5.7	9.2	10.0	18.0
25TH %ILE	1.5	2.3	0.6	1.2	6.7	9.7
MEDIAN	0.4	1.1	-0.8	-0.3	4.3	6.0
75TH %ILE	0.1	0.6	-1.7	-1.6	3.1	4.3
95TH %ILE	-0.7	-0.6	-6.4	-8.0	1.2	1.8
MBS Idx	-0.4	0.6	-1.4	-1.4	2.4	3.7

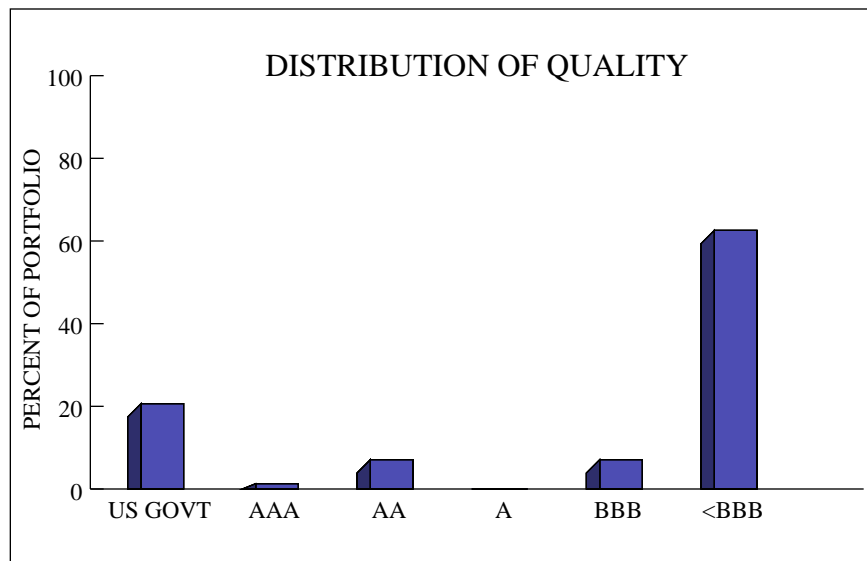
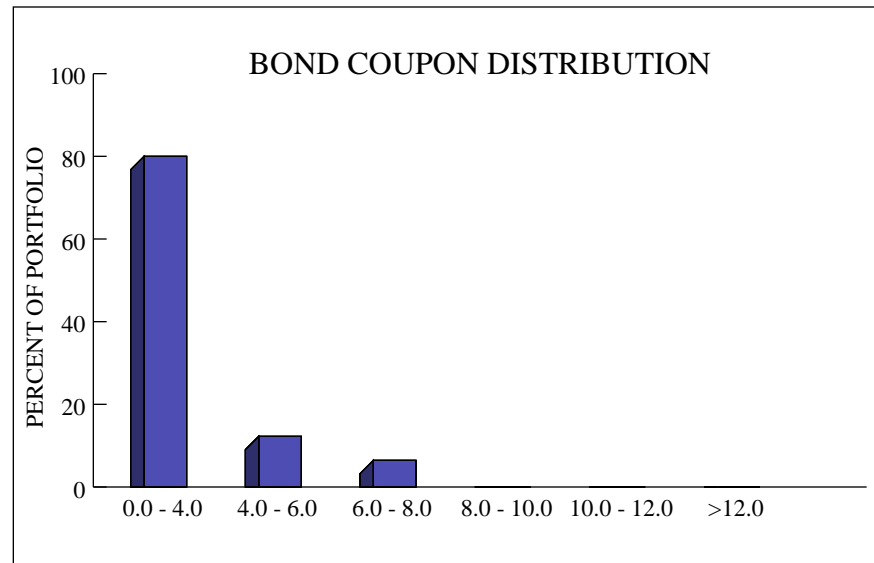
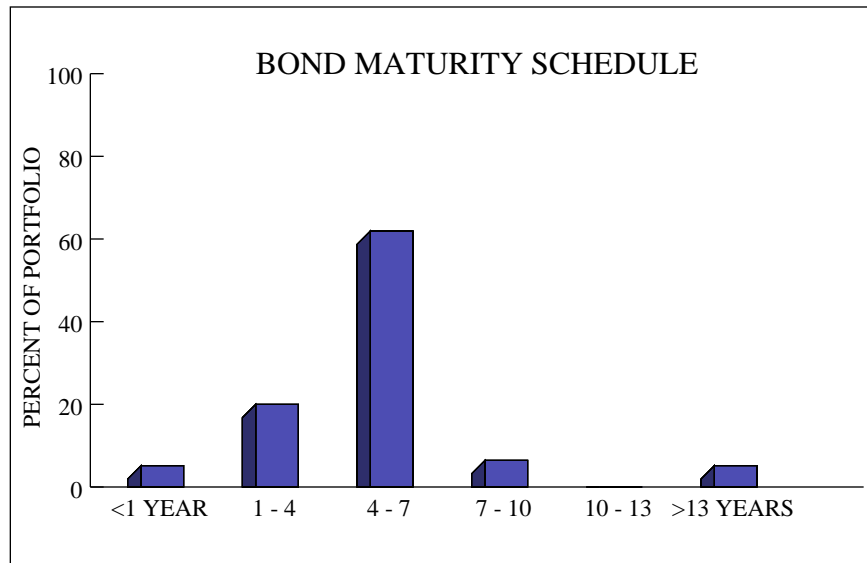
Broad Market Fixed Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: BARCLAYS US MBS INDEX****VARIATION FROM BENCHMARK**

Total Quarters Observed	12
Quarters At or Above the Benchmark	9
Quarters Below the Benchmark	3
Batting Average	.750

RATES OF RETURN

Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
3/11	2.1	0.6	1.5	2.1	0.6	1.5
6/11	2.3	2.3	0.0	4.4	2.9	1.5
9/11	-3.4	2.4	-5.8	0.8	5.3	-4.5
12/11	-0.4	0.9	-1.3	0.4	6.2	-5.8
3/12	5.5	0.6	4.9	5.9	6.8	-0.9
6/12	-0.7	1.1	-1.8	5.1	8.0	-2.9
9/12	8.0	1.1	6.9	13.6	9.2	4.4
12/12	1.8	-0.2	2.0	15.6	9.0	6.6
3/13	2.7	0.0	2.7	18.8	8.9	9.9
6/13	0.0	-2.0	2.0	18.7	6.8	11.9
9/13	1.5	1.0	0.5	20.5	7.9	12.6
12/13	2.1	-0.4	2.5	23.1	7.5	15.6

BOND CHARACTERISTICS

	PORTFOLIO	BC US MBS
No. of Securities	58	792
Duration	4.03	5.62
YTM	5.51	3.26
Average Coupon	1.81	3.91
Avg Maturity / WAL	5.66	7.78
Average Quality	A-BBB	US GOVT

ALABAMA PACT
LONGFELLOW - INTERMEDIATE
PERFORMANCE REVIEW
DECEMBER 2013

INVESTMENT RETURN

On December 31st, 2013, the Alabama PACT's Longfellow portfolio was valued at \$22,742,689, representing an increase of \$50,125 from the September quarter's ending value of \$22,692,564. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$50,125 in net investment returns. Net investment return was composed of income receipts totaling \$161,576 and \$111,451 in net realized and unrealized capital losses.

For the cumulative period since December 2010, the account has recorded net withdrawals totaling \$101.9 million and net investment gains of \$11.8 million. Since December 2010, if the total account had earned a compounded nominal rate of 2.0% it would have been worth \$16.2 million or \$6.6 million less than the actual value as of December 31st, 2013.

RELATIVE PERFORMANCE

During the fourth quarter, the Longfellow portfolio gained 0.2%, which was 0.2% above the Intermediate Gov/Credit Index's return of 0.0% and ranked in the 45th percentile of the Intermediate Fixed Income universe. Over the trailing year, the portfolio returned -0.5%, which was 0.4% above the benchmark's -0.9% performance, ranking in the 51st percentile. Since December 2010, the account returned 3.1% on an annualized basis and ranked in the 60th percentile. For comparison, the Intermediate Gov/Credit returned an annualized 2.9% over the same period.

BOND ANALYSIS

At the end of the quarter, approximately 25% of the total bond portfolio was comprised of USG quality securities. Corporate securities, rated AAA through BBB made up the remainder, giving the portfolio an overall average quality rating of AA. The average maturity of the portfolio was 5.5 years, longer than the Barclays Intermediate Gov/Credit Index's 4.2-year maturity. The average coupon was 3.7%.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	-----Annualized-----				
	Quarter	FYTD	1 Year	3 Years	Since 12/2010
Total Gross/Fees	0.2	0.2	-0.5	3.1	3.1
<i>INTERMEDIATE FIXED RANK</i>	(45)	(45)	(51)	(60)	(60)
Total Net/Fees	0.2	0.2	-0.7	2.9	2.9
INT GOV/CREDIT	0.0	0.0	-0.9	2.9	2.9
Fixed Income	0.2	0.2	-0.5	3.1	3.1
<i>INTERMEDIATE FIXED RANK</i>	(45)	(45)	(51)	(60)	(60)
INT GOV/CREDIT	0.0	0.0	-0.9	2.9	2.9

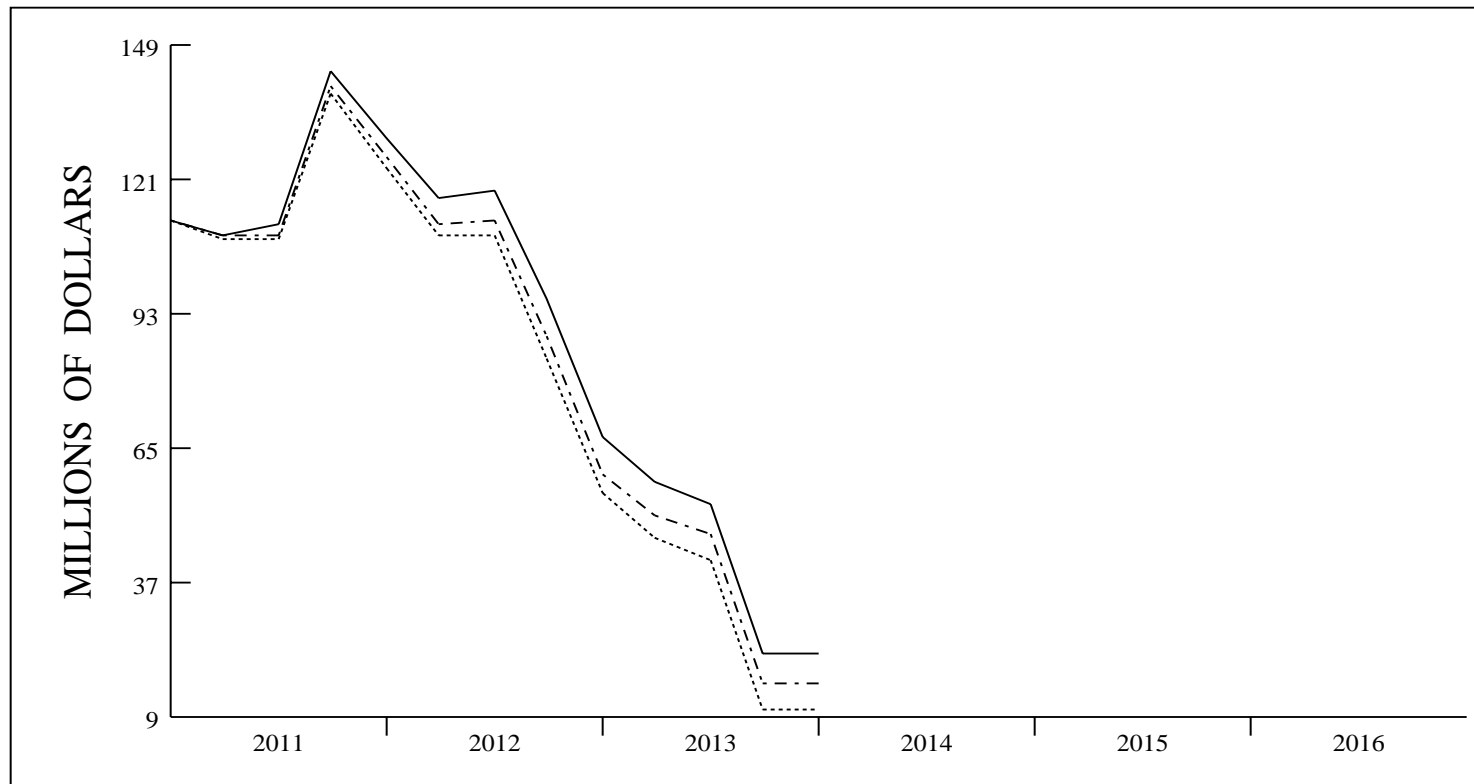
ASSET ALLOCATION

Fixed Income	100.0%	\$ 22,742,689
Total Portfolio	100.0%	\$ 22,742,689

INVESTMENT RETURN

Market Value 9/2013	\$ 22,692,564
Contribs / Withdrawals	0
Income	161,576
Capital Gains / Losses	-111,451
Market Value 12/2013	\$ 22,742,689

INVESTMENT GROWTH

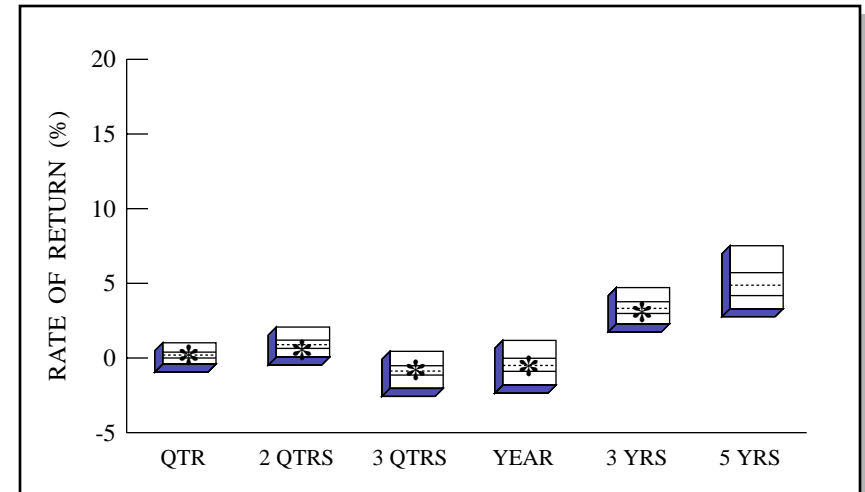
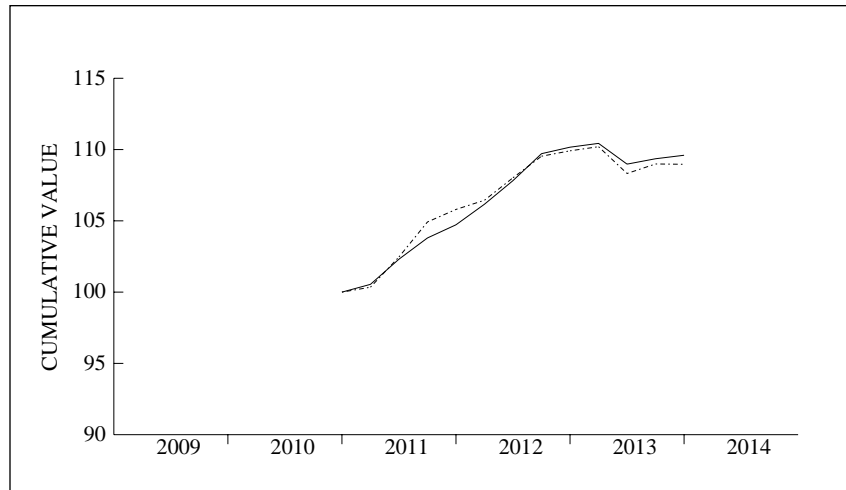


— ACTUAL RETURN
 - - - 2.0%
 . . . 0.0%

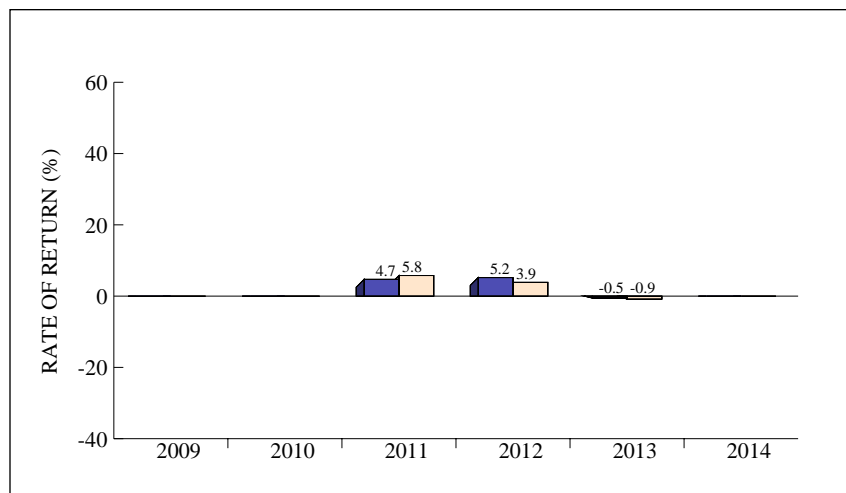
VALUE ASSUMING
 2.0% RETURN
 \$ 16,162,526

	LAST QUARTER	PERIOD 12/10 - 12/13
BEGINNING VALUE	\$ 22,692,564	\$ 112,861,155
NET CONTRIBUTIONS	0	-101,918,893
INVESTMENT RETURN	50,125	11,800,430
ENDING VALUE	\$ 22,742,689	\$ 22,742,689
INCOME	161,576	10,768,186
CAPITAL GAINS (LOSSES)	-111,451	1,032,244
INVESTMENT RETURN	50,125	11,800,430

TOTAL RETURN COMPARISONS

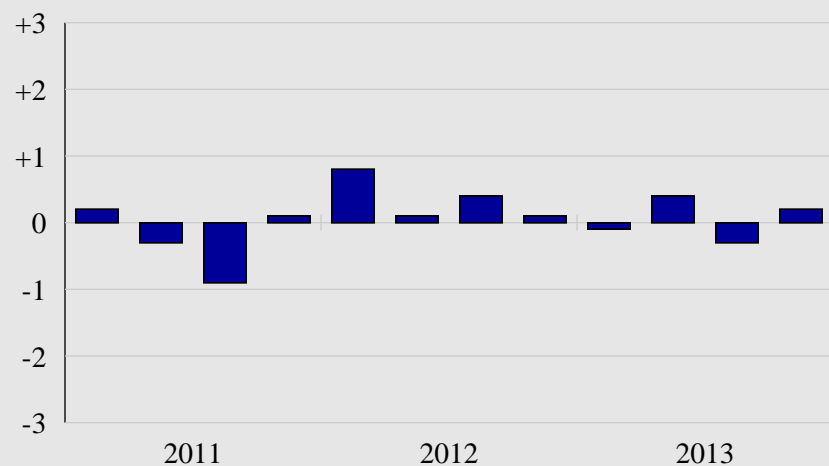


Intermediate Fixed Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	0.2	0.6	-0.8	-0.5	3.1	---
(RANK)	(45)	(80)	(39)	(51)	(60)	---
5TH %ILE	1.0	2.1	0.4	1.2	4.7	7.5
25TH %ILE	0.4	1.2	-0.5	0.0	3.8	5.7
MEDIAN	0.2	0.9	-0.9	-0.5	3.3	4.9
75TH %ILE	0.0	0.7	-1.1	-0.9	3.0	4.2
95TH %ILE	-0.4	0.1	-2.0	-1.8	2.3	3.3
<i>Int G/C</i>	<i>0.0</i>	<i>0.6</i>	<i>-1.1</i>	<i>-0.9</i>	<i>2.9</i>	<i>4.0</i>

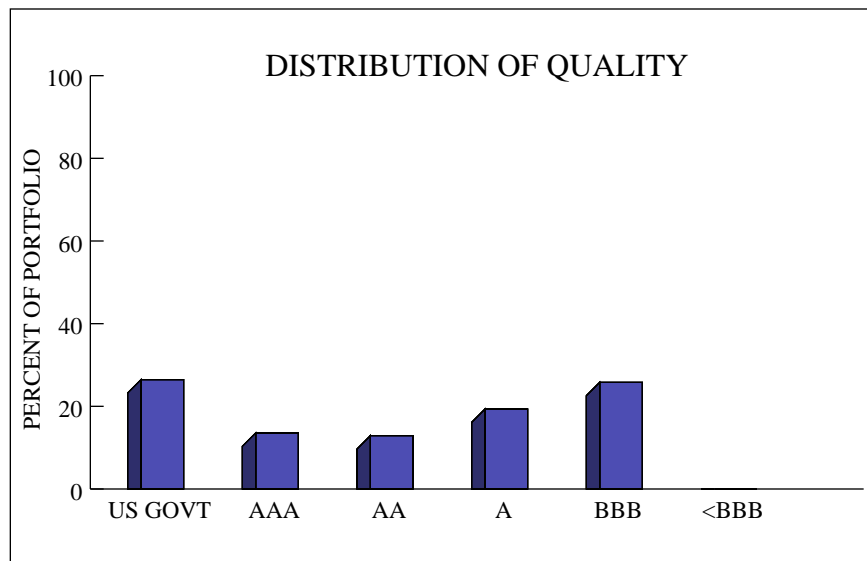
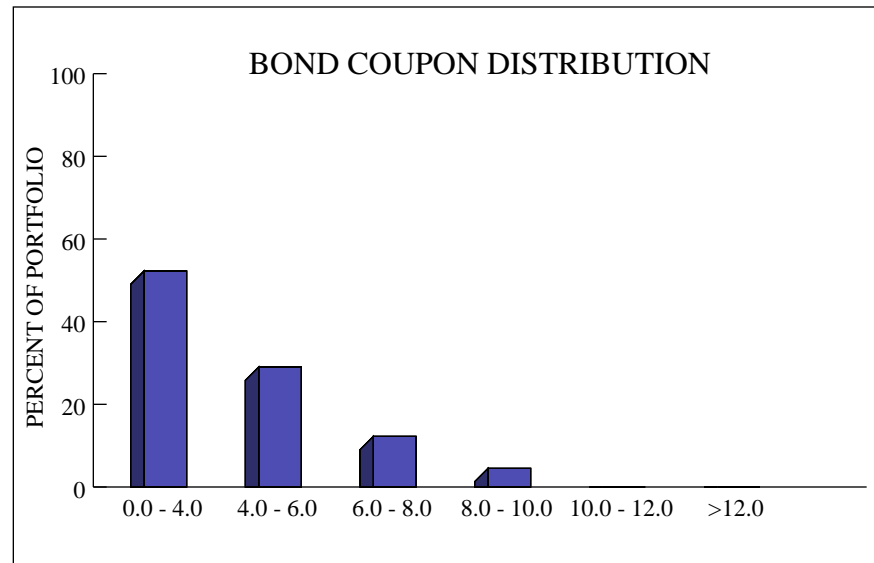
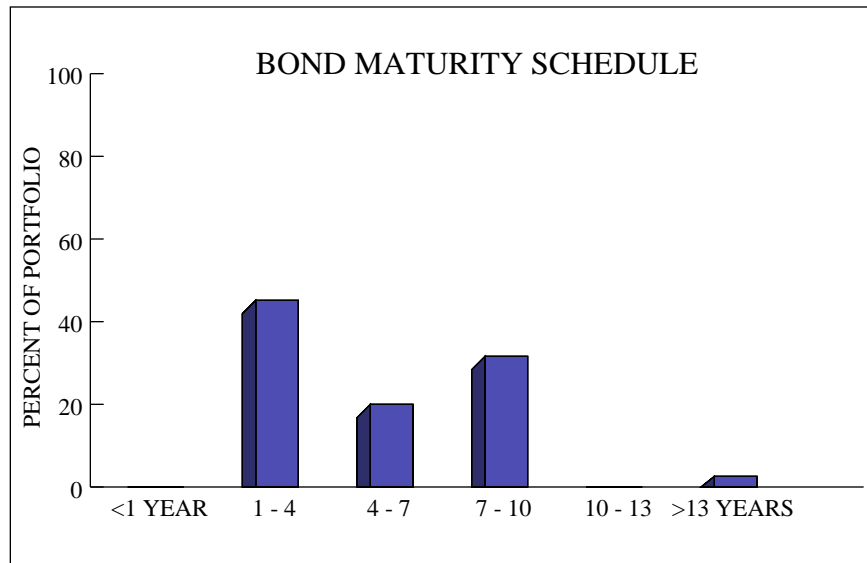
Intermediate Fixed Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: INTERMEDIATE GOV/CREDIT****VARIATION FROM BENCHMARK**

Total Quarters Observed	12
Quarters At or Above the Benchmark	8
Quarters Below the Benchmark	4
Batting Average	.667

RATES OF RETURN

Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
3/11	0.5	0.3	0.2	0.5	0.3	0.2
6/11	1.8	2.1	-0.3	2.3	2.5	-0.2
9/11	1.5	2.4	-0.9	3.8	4.9	-1.1
12/11	0.9	0.8	0.1	4.7	5.8	-1.1
3/12	1.4	0.6	0.8	6.2	6.4	-0.2
6/12	1.6	1.5	0.1	7.8	8.0	-0.2
9/12	1.8	1.4	0.4	9.7	9.5	0.2
12/12	0.4	0.3	0.1	10.2	9.9	0.3
3/13	0.2	0.3	-0.1	10.4	10.2	0.2
6/13	-1.3	-1.7	0.4	9.0	8.3	0.7
9/13	0.3	0.6	-0.3	9.4	9.0	0.4
12/13	0.2	0.0	0.2	9.6	9.0	0.6

BOND CHARACTERISTICS

	PORTFOLIO	INT GOV/CREDIT
No. of Securities	49	4,759
Duration	4.23	3.84
YTM	2.48	1.61
Average Coupon	3.73	2.60
Avg Maturity / WAL	5.49	4.15
Average Quality	AA	USG-AAA

ALABAMA PACT
MACKAY SHIELDS - INTERMEDIATE FUND
PERFORMANCE REVIEW
DECEMBER 2013

INVESTMENT RETURN

On December 31st, 2013, the Alabama PACT's Mackay Shields portfolio was valued at \$24,008,892, a decrease of \$7,605,278 from the September ending value of \$31,614,170. Last quarter, the account recorded a net withdrawal of \$7,725,000, which overshadowed the fund's net investment return of \$119,722. The fund's net investment return was a result of income receipts totaling \$152,415 and realized and unrealized capital losses totaling \$32,693.

Since December 2010, the account has recorded net withdrawals totaling \$102.7 million while posting net investment gains totaling \$13.2 million. Since December 2010, if the account earned a compounded nominal rate of 2.0% it would have been valued at \$16.0 million or \$8.0 million less than the actual value as of December 31st, 2013.

RELATIVE PERFORMANCE

For the fourth quarter, the Mackay Shields portfolio gained 0.5%, which was 0.5% above the Intermediate Gov/Credit Index's return of 0.0% and ranked in the 14th percentile of the Intermediate Fixed Income universe. Over the trailing twelve-month period, this portfolio returned 0.1%, which was 1.0% greater than the benchmark's -0.9% performance, and ranked in the 24th percentile. Since December 2010, the portfolio returned 3.7% annualized and ranked in the 28th percentile. The Intermediate Gov/Credit returned an annualized 2.9% over the same time frame.

BOND ANALYSIS

At the end of the quarter, USG rated securities comprised approximately 50% of the bond portfolio, while corporate securities, rated AA through BBB, comprised the remainder, giving the portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 4.2 years, longer than the Barclays Intermediate Gov/Credit Index's 4.2-year maturity. The average coupon was 2.7%.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	-----Annualized-----				
	Quarter	FYTD	1 Year	3 Years	Since 12/2010
Total Gross/Fees	0.5	0.5	0.1	3.7	3.7
INTERMEDIATE FIXED RANK	(14)	(14)	(24)	(28)	(28)
Total Net/Fees	0.4	0.4	-0.1	3.6	3.6
INT GOV/CREDIT	0.0	0.0	-0.9	2.9	2.9
Fixed Income	0.5	0.5	0.1	3.7	3.7
INTERMEDIATE FIXED RANK	(14)	(14)	(24)	(28)	(28)
INT GOV/CREDIT	0.0	0.0	-0.9	2.9	2.9

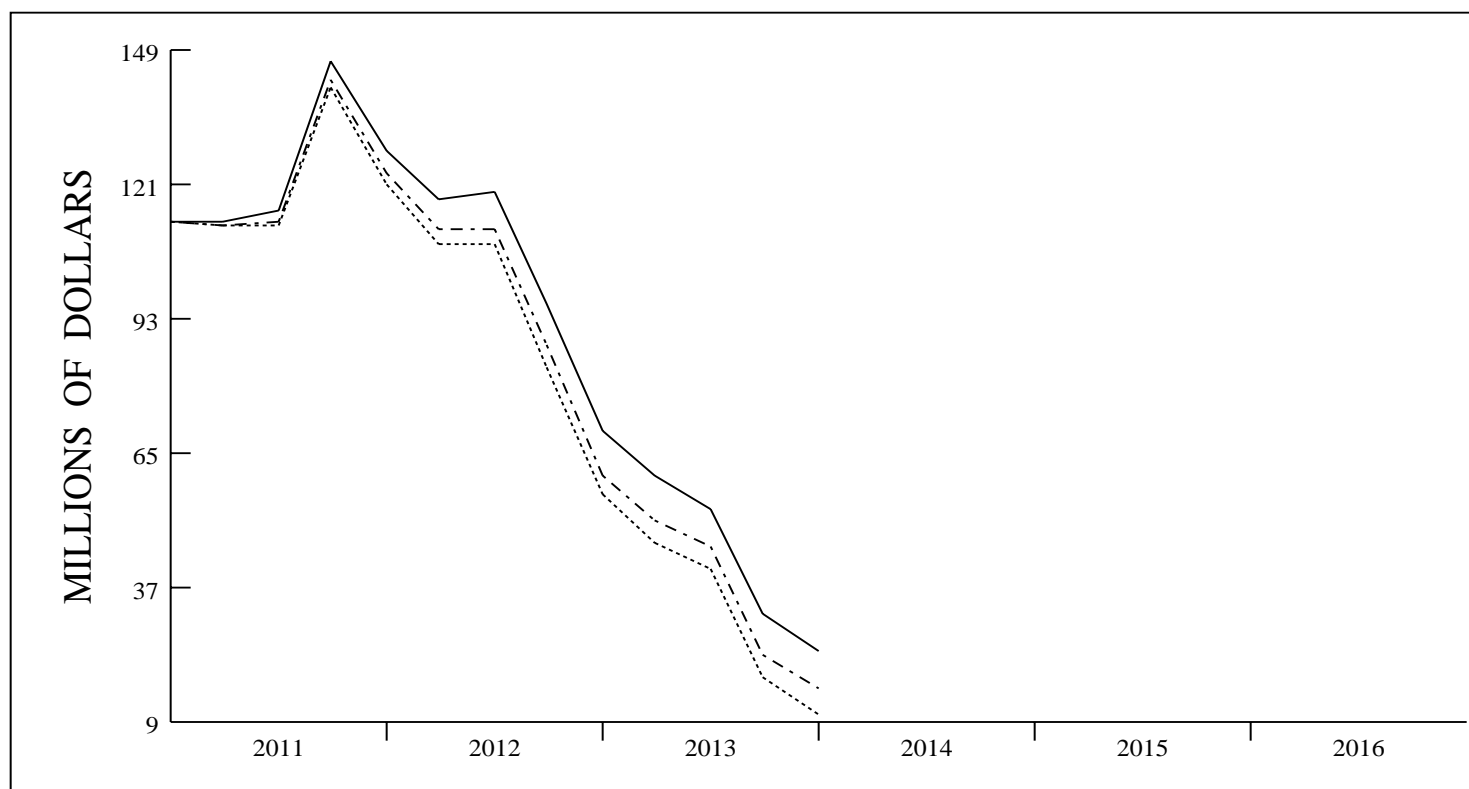
ASSET ALLOCATION

Fixed Income	100.0%	\$ 24,008,892
Total Portfolio	100.0%	\$ 24,008,892

INVESTMENT RETURN

Market Value 9/2013	\$ 31,614,170
Contribs / Withdrawals	- 7,725,000
Income	152,415
Capital Gains / Losses	- 32,693
Market Value 12/2013	\$ 24,008,892

INVESTMENT GROWTH

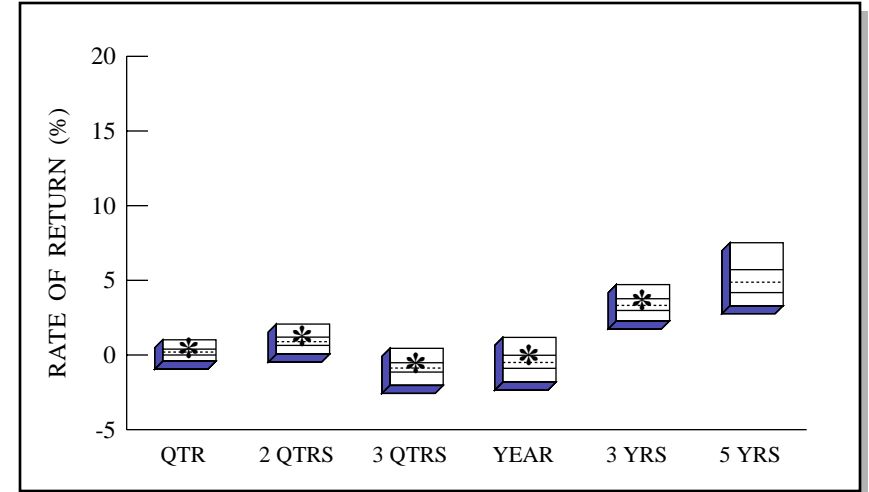
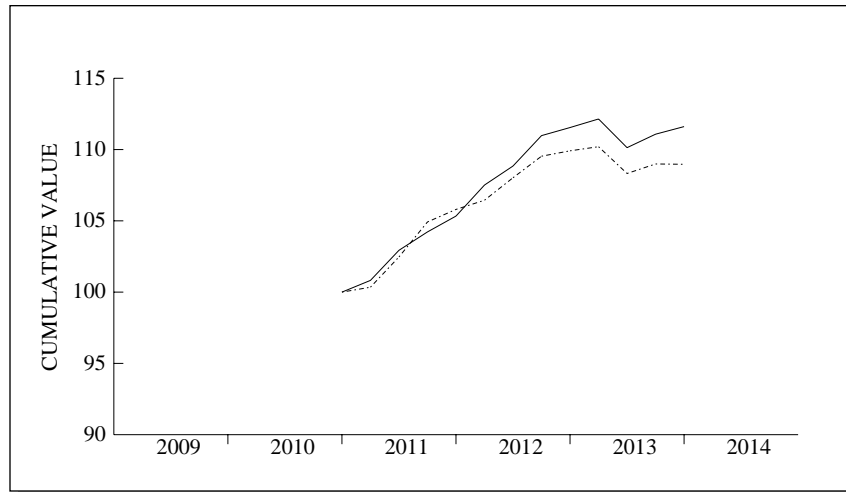


— ACTUAL RETURN
 - - - 2.0%
 . . . 0.0%

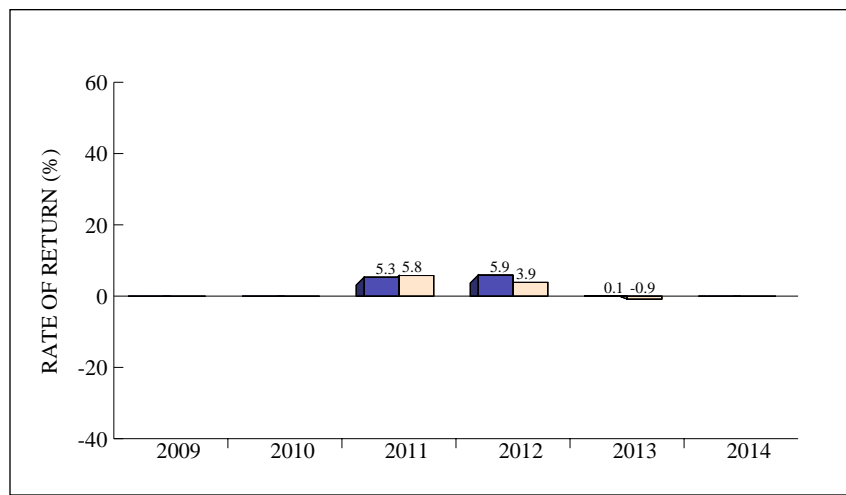
VALUE ASSUMING
 2.0% RETURN
 \$ 16,010,660

	LAST QUARTER	PERIOD 12/10 - 12/13
BEGINNING VALUE	\$ 31,614,170	\$ 113,487,326
NET CONTRIBUTIONS	- 7,725,000	-102,656,349
INVESTMENT RETURN	119,722	13,177,910
ENDING VALUE	\$ 24,008,892	\$ 24,008,892
INCOME	152,415	9,469,541
CAPITAL GAINS (LOSSES)	- 32,693	3,708,369
INVESTMENT RETURN	119,722	13,177,910

TOTAL RETURN COMPARISONS



Intermediate Fixed Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	0.5	1.3	-0.5	0.1	3.7	---
(RANK)	(14)	(18)	(24)	(24)	(28)	---
5TH %ILE	1.0	2.1	0.4	1.2	4.7	7.5
25TH %ILE	0.4	1.2	-0.5	0.0	3.8	5.7
MEDIAN	0.2	0.9	-0.9	-0.5	3.3	4.9
75TH %ILE	0.0	0.7	-1.1	-0.9	3.0	4.2
95TH %ILE	-0.4	0.1	-2.0	-1.8	2.3	3.3
<i>Int G/C</i>	<i>0.0</i>	<i>0.6</i>	<i>-1.1</i>	<i>-0.9</i>	<i>2.9</i>	<i>4.0</i>

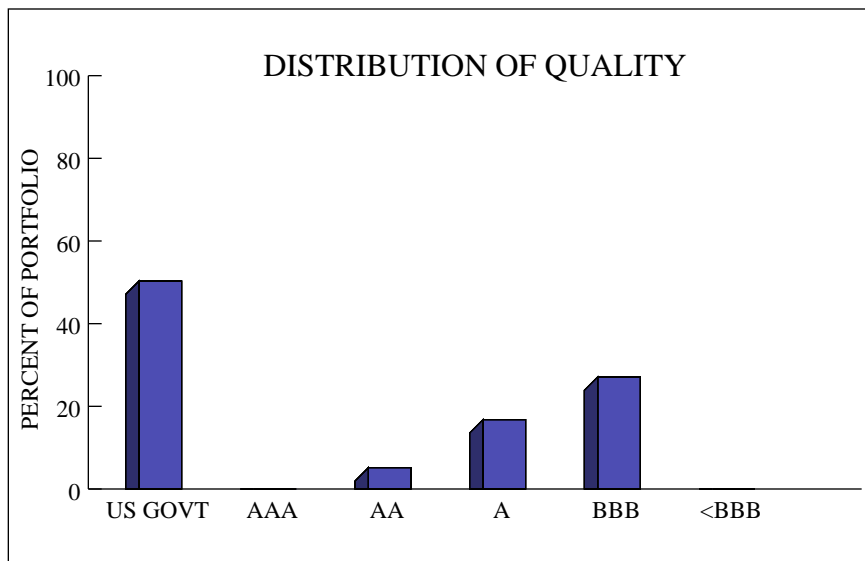
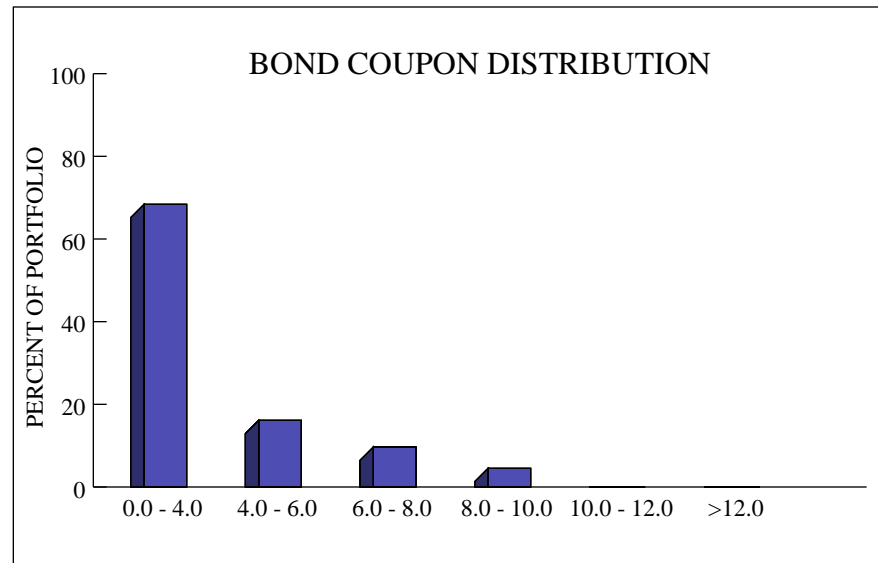
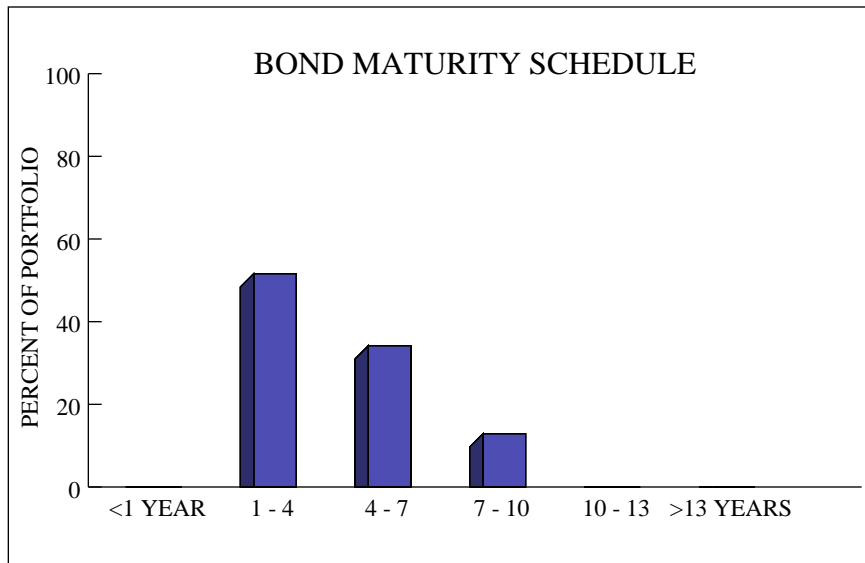
Intermediate Fixed Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: INTERMEDIATE GOV/CREDIT****VARIATION FROM BENCHMARK**

Total Quarters Observed	12
Quarters At or Above the Benchmark	9
Quarters Below the Benchmark	3
Batting Average	.750

RATES OF RETURN

Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
3/11	0.8	0.3	0.5	0.8	0.3	0.5
6/11	2.1	2.1	0.0	2.9	2.5	0.4
9/11	1.3	2.4	-1.1	4.2	4.9	-0.7
12/11	1.1	0.8	0.3	5.3	5.8	-0.5
3/12	2.1	0.6	1.5	7.5	6.4	1.1
6/12	1.2	1.5	-0.3	8.8	8.0	0.8
9/12	2.0	1.4	0.6	11.0	9.5	1.5
12/12	0.5	0.3	0.2	11.5	9.9	1.6
3/13	0.5	0.3	0.2	12.1	10.2	1.9
6/13	-1.8	-1.7	-0.1	10.1	8.3	1.8
9/13	0.9	0.6	0.3	11.1	9.0	2.1
12/13	0.5	0.0	0.5	11.6	9.0	2.6

BOND CHARACTERISTICS

	PORTFOLIO	INT GOV/CREDIT
No. of Securities	60	4,759
Duration	3.56	3.84
YTM	1.86	1.61
Average Coupon	2.73	2.60
Avg Maturity / WAL	4.17	4.15
Average Quality	AAA-AA	USG-AAA

ALABAMA PACT
LONGFELLOW - SHORT TERM
PERFORMANCE REVIEW
DECEMBER 2013

INVESTMENT RETURN

On December 31st, 2013, the Alabama PACT's Longfellow portfolio was valued at \$67,768,839, representing an increase of \$182,694 from the September quarter's ending value of \$67,586,145. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$182,694 in net investment returns. Net investment return was composed of income receipts totaling \$524,515 and \$341,821 in net realized and unrealized capital losses.

For the cumulative period since September 2011, the account has recorded net contributions totaling \$26.4 million, and has recorded net investment gains of \$1.5 million. Since September 2011, if the total account earned a compounded nominal rate of 2.0% it would have been worth \$68.6 million or \$804,125 more than the actual value as of December 31st, 2013.

RELATIVE PERFORMANCE

During the fourth quarter, the Longfellow portfolio gained 0.3%, which was 0.1% above the Barclays 1-3 Year Gov/Credit Index's return of 0.2% and ranked in the 63rd percentile of the Short-Term Fixed Income universe. Over the trailing year, the portfolio returned 0.7%, which was 0.1% above the benchmark's 0.6% performance, ranking in the 46th percentile. Since September 2011, the account returned 1.4% on an annualized basis and ranked in the 63rd percentile. For comparison, the Barclays 1-3 Year Gov/Credit returned an annualized 1.0% over the same period.

BOND ANALYSIS

At the end of the quarter, approximately 40% of the total bond portfolio was comprised of USG quality securities. Corporate securities, rated AAA through BBB made up the remainder, giving the portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 2.5 years, longer than the Barclays 1-3 Year Gov/Credit Index's 2.0-year maturity. The average coupon was 3.0%.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	-----Annualized-----				
	Quarter	FYTD	1 Year	3 Years	Since 9/2011
Total Gross/Fees	0.3	0.3	0.7	----	1.4
<i>SHORT-TERM FIXED RANK</i>	(63)	(63)	(46)	----	(63)
Total Net/Fees	0.2	0.2	0.5	----	1.2
1-3 YR GOV/CRED	0.2	0.2	0.6	1.2	1.0
Fixed Income	0.3	0.3	0.7	----	1.4
<i>SHORT-TERM FIXED RANK</i>	(63)	(63)	(46)	----	(63)
1-3 YR GOV/CRED	0.2	0.2	0.6	1.2	1.0

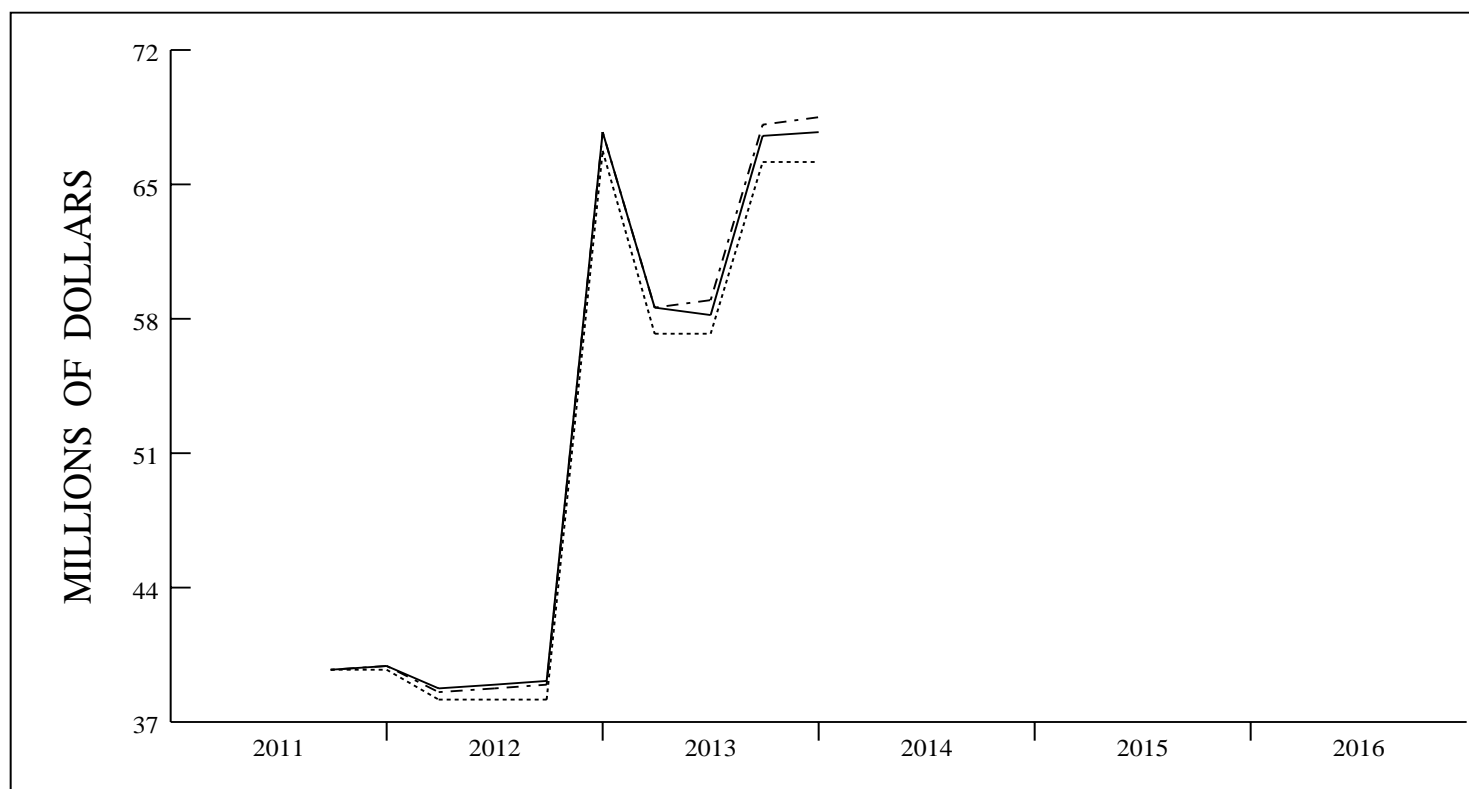
ASSET ALLOCATION

Fixed Income	100.0%	\$ 67,768,839
Total Portfolio	100.0%	\$ 67,768,839

INVESTMENT RETURN

Market Value 9/2013	\$ 67,586,145
Contribs / Withdrawals	0
Income	524,515
Capital Gains / Losses	-341,821
Market Value 12/2013	\$ 67,768,839

INVESTMENT GROWTH

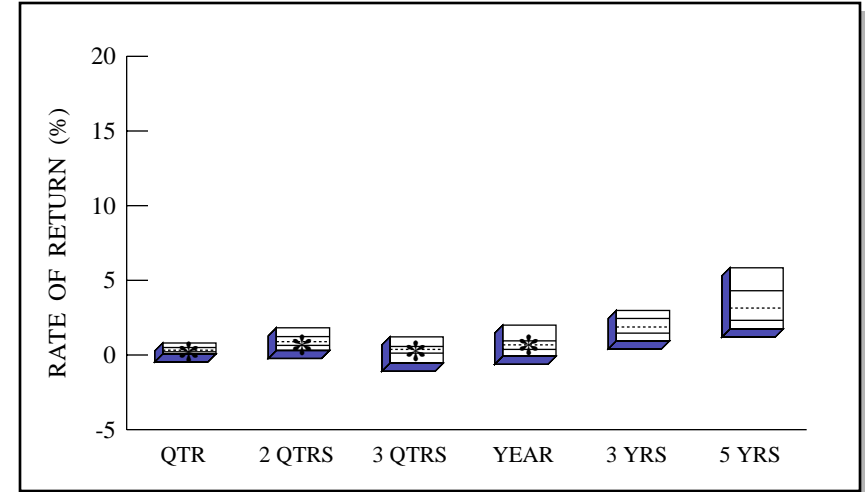
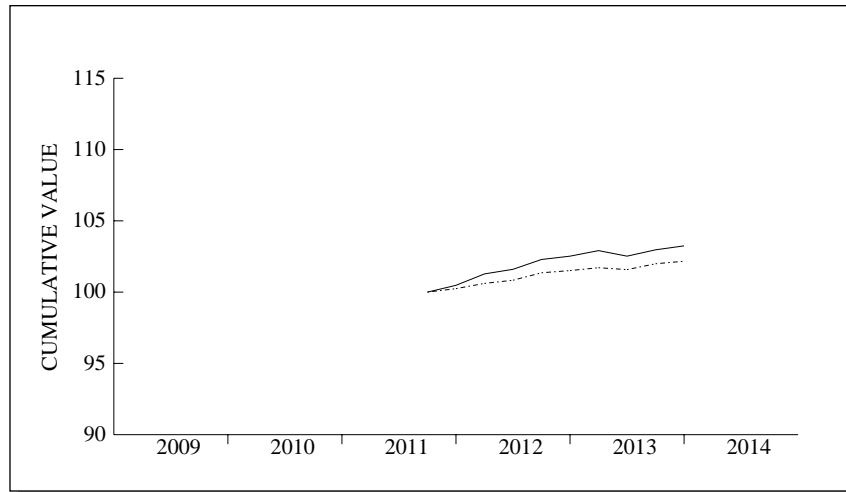


— ACTUAL RETURN
 - - - 2.0%
 . . . 0.0%

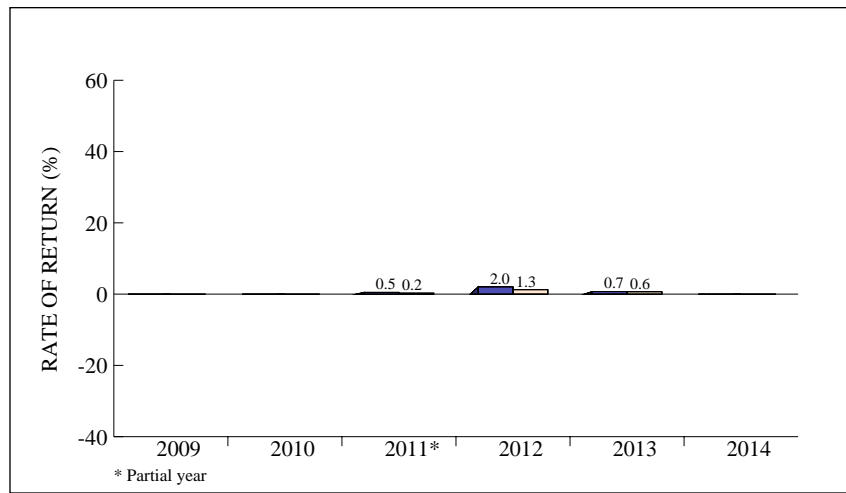
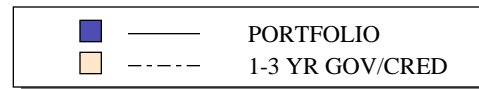
VALUE ASSUMING
 2.0% RETURN
 \$ 68,572,964

	LAST QUARTER	PERIOD 9/11 - 12/13
BEGINNING VALUE	\$ 67,586,145	\$ 39,896,277
NET CONTRIBUTIONS	0	26,411,931
INVESTMENT RETURN	182,694	1,460,630
ENDING VALUE	\$ 67,768,839	\$ 67,768,839
INCOME	524,515	3,493,407
CAPITAL GAINS (LOSSES)	-341,821	- 2,032,777
INVESTMENT RETURN	182,694	1,460,630

TOTAL RETURN COMPARISONS

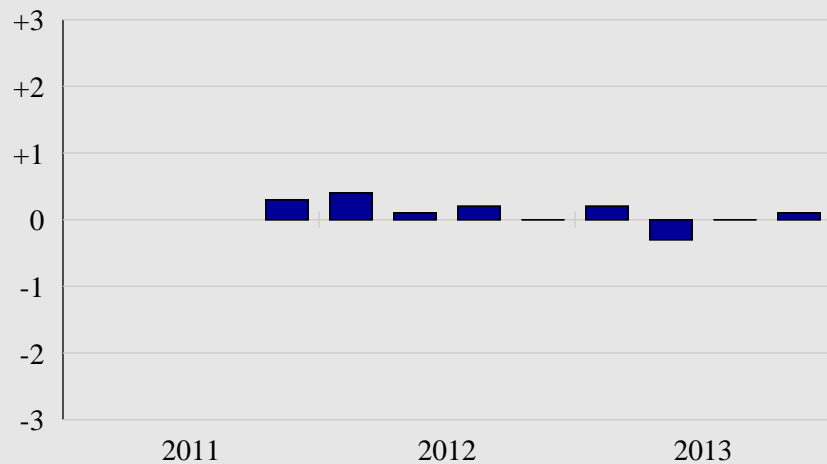


Short-Term Fixed Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	0.3	0.7	0.3	0.7	----	----
(RANK)	(63)	(71)	(54)	(46)	----	----
5TH %ILE	0.8	1.8	1.2	2.0	3.0	5.8
25TH %ILE	0.5	1.2	0.6	1.0	2.4	4.3
MEDIAN	0.3	0.9	0.4	0.7	1.9	3.1
75TH %ILE	0.2	0.7	0.1	0.4	1.5	2.3
95TH %ILE	0.1	0.3	-0.6	-0.1	0.9	1.7
1-3 Yr G/C	0.2	0.6	0.4	0.6	1.2	2.0

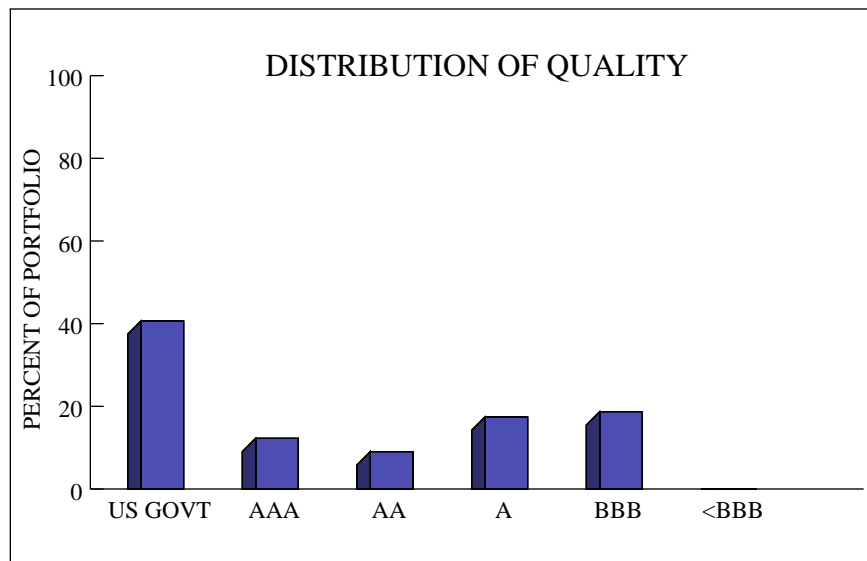
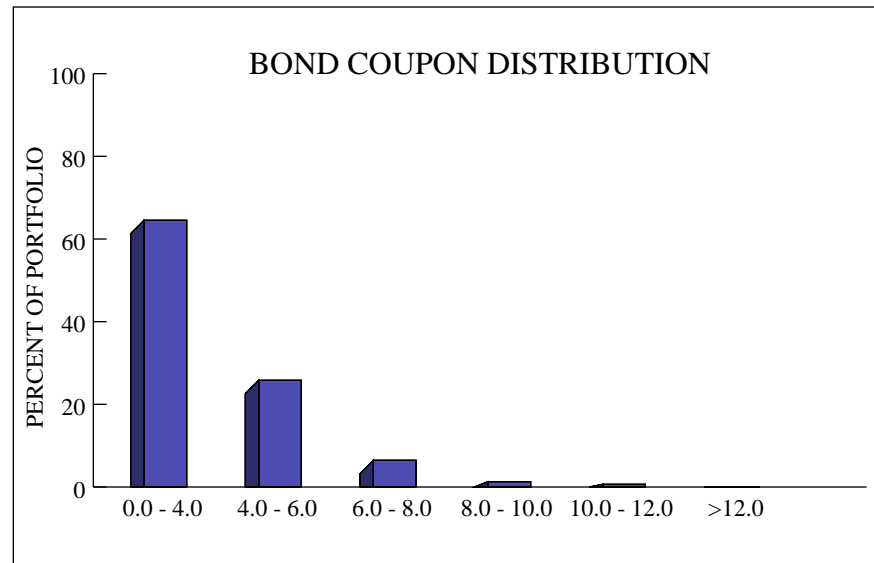
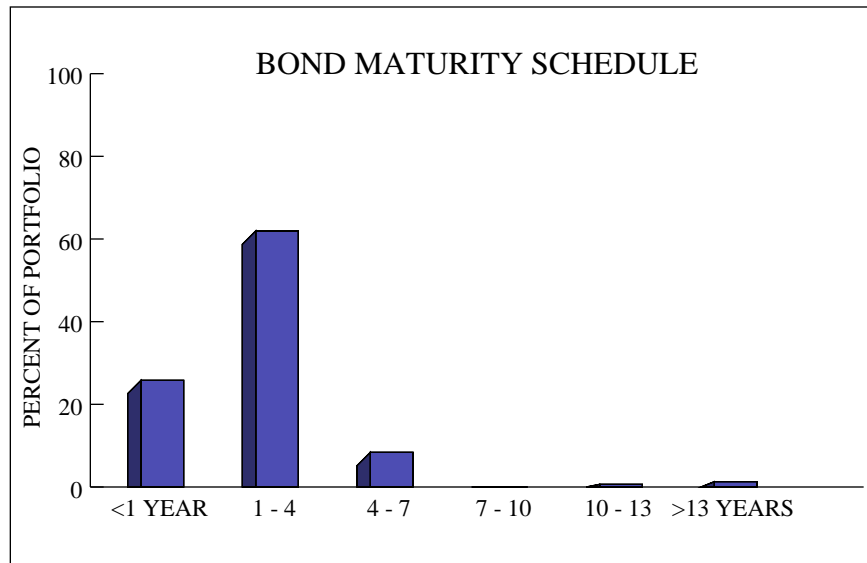
Short-Term Fixed Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: BARCLAYS 1-3 YEAR GOV/CREDIT****VARIATION FROM BENCHMARK**

Total Quarters Observed	9
Quarters At or Above the Benchmark	8
Quarters Below the Benchmark	1
Batting Average	.889

RATES OF RETURN

Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
12/11	0.5	0.2	0.3	0.5	0.2	0.3
3/12	0.8	0.4	0.4	1.3	0.6	0.7
6/12	0.3	0.2	0.1	1.6	0.8	0.8
9/12	0.7	0.5	0.2	2.3	1.4	0.9
12/12	0.2	0.2	0.0	2.5	1.5	1.0
3/13	0.4	0.2	0.2	2.9	1.7	1.2
6/13	-0.4	-0.1	-0.3	2.5	1.6	0.9
9/13	0.4	0.4	0.0	3.0	2.0	1.0
12/13	0.3	0.2	0.1	3.2	2.2	1.0

BOND CHARACTERISTICS

	PORTFOLIO	BC 1-3 GC
No. of Securities	136	1,490
Duration	1.59	1.91
YTM	2.21	0.57
Average Coupon	2.99	1.99
Avg Maturity / WAL	2.45	1.97
Average Quality	AAA-AA	USG-AAA

ALABAMA PACT
MACKAY SHIELDS - SHORT TERM FUND
PERFORMANCE REVIEW
DECEMBER 2013

INVESTMENT RETURN

On December 31st, 2013, the Alabama PACT's Mackay Shields portfolio was valued at \$74,856,009, representing an increase of \$10,987,064 from the September quarter's ending value of \$63,868,945. Last quarter, the Fund posted net contributions equaling \$10,775,390 plus a net investment gain equaling \$211,674. Net investment return was a result of \$464,342 in income receipts and \$252,668 in net realized and unrealized capital losses.

For the cumulative period since September 2011, the portfolio has posted net contributions totaling \$22.9 million, and recorded net investment gains totaling \$2.3 million. For the period since September 2011, if the fund had returned a compounded nominal rate of 2.0% it would have been valued at \$74.9 million or \$65,741 more than the actual value as of December 31st, 2013.

RELATIVE PERFORMANCE

For the fourth quarter, the Mackay Shields portfolio returned 0.3%, which was 0.1% greater than the Barclays 1-3 Year Gov/Credit Index's return of 0.2% and ranked in the 62nd percentile of the Short-Term Fixed Income universe. Over the trailing year, this portfolio returned 0.8%, which was 0.2% above the benchmark's 0.6% return, ranking in the 35th percentile. Since September 2011, the account returned 2.1% on an annualized basis and ranked in the 28th percentile. For comparison, the Barclays 1-3 Year Gov/Credit returned an annualized 1.0% over the same time frame.

BOND ANALYSIS

At the end of the quarter, USG rated securities comprised nearly 55% of the bond portfolio, while corporate securities, rated AAA through BBB, made up the remainder, giving the bond portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 1.8 years, less than the Barclays 1-3 Year Gov/Credit Index's 2.0-year maturity. The average coupon was 1.9%.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	-----Annualized-----				
	Quarter	FYTD	1 Year	3 Years	Since 9/2011
Total Gross/Fees	0.3	0.3	0.8	----	2.1
<i>SHORT-TERM FIXED RANK</i>	(62)	(62)	(35)	----	(28)
Total Net/Fees	0.3	0.3	0.7	----	2.0
1-3 YR GOV/CRED	0.2	0.2	0.6	1.2	1.0
Fixed Income	0.3	0.3	0.8	----	2.1
<i>SHORT-TERM FIXED RANK</i>	(62)	(62)	(35)	----	(28)
1-3 YR GOV/CRED	0.2	0.2	0.6	1.2	1.0

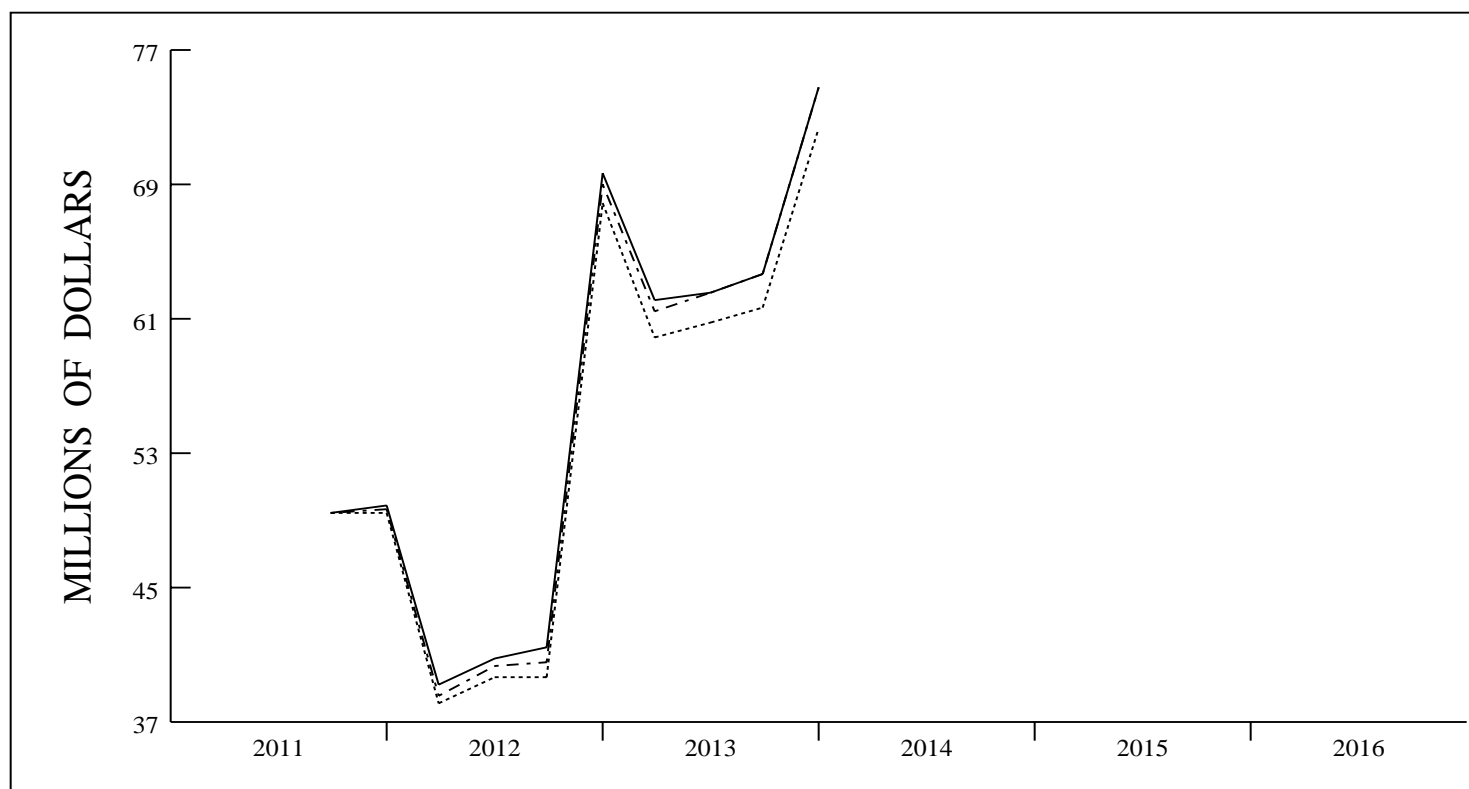
ASSET ALLOCATION

Fixed Income	100.0%	\$ 74,856,009
Total Portfolio	100.0%	\$ 74,856,009

INVESTMENT RETURN

Market Value 9/2013	\$ 63,868,945
Contribs / Withdrawals	10,775,390
Income	464,342
Capital Gains / Losses	-252,668
Market Value 12/2013	\$ 74,856,009

INVESTMENT GROWTH

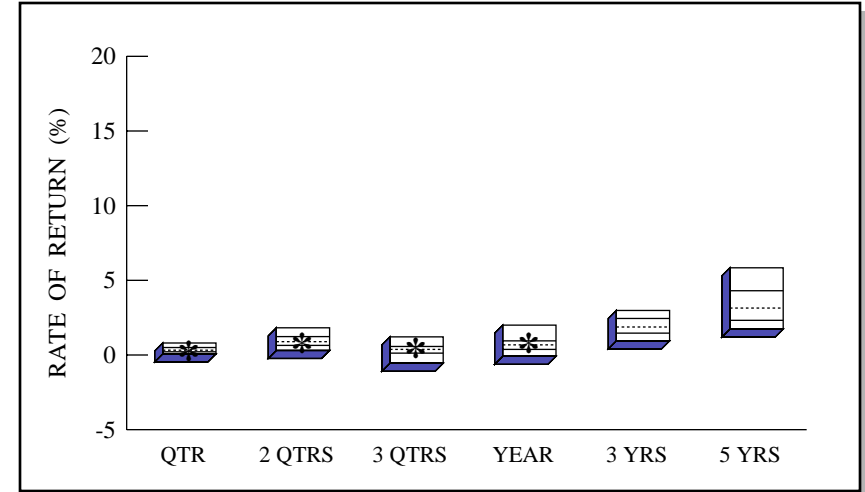
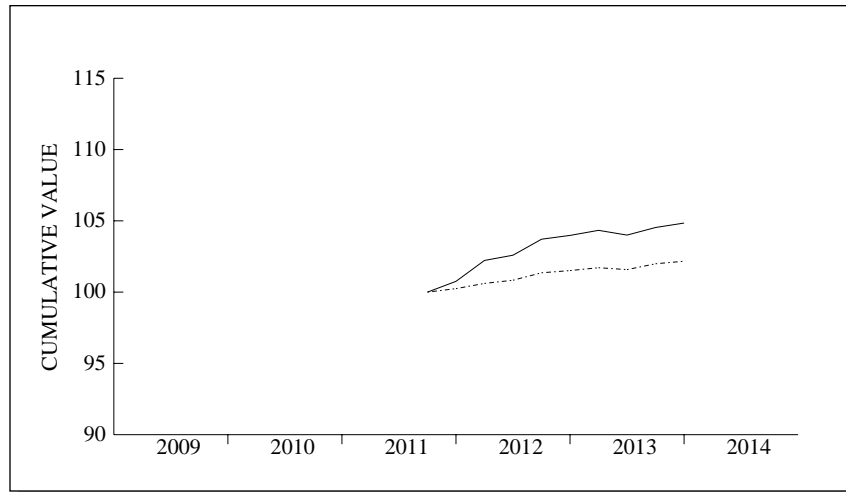


— ACTUAL RETURN
 - - - 2.0%
 . . . 0.0%

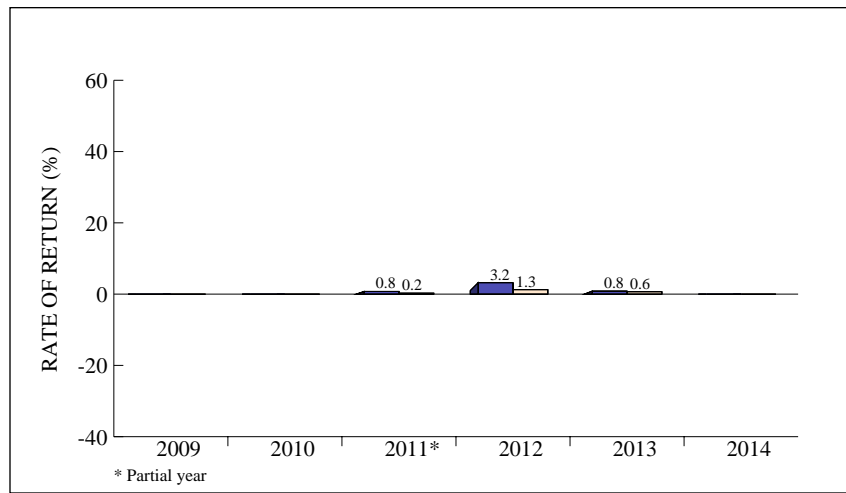
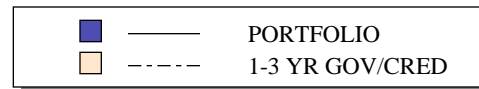
VALUE ASSUMING
 2.0% RETURN
 \$ 74,921,750

	LAST QUARTER	PERIOD 9/11 - 12/13
BEGINNING VALUE	\$ 63,868,945	\$ 49,587,366
NET CONTRIBUTIONS	10,775,390	22,921,466
INVESTMENT RETURN	211,674	2,347,175
ENDING VALUE	\$ 74,856,009	\$ 74,856,009
INCOME	464,342	3,473,274
CAPITAL GAINS (LOSSES)	-252,668	- 1,126,099
INVESTMENT RETURN	211,674	2,347,175

TOTAL RETURN COMPARISONS



Short-Term Fixed Universe



	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	0.3	0.8	0.5	0.8	---	---
(RANK)	(62)	(58)	(33)	(35)	---	---
5TH %ILE	0.8	1.8	1.2	2.0	3.0	5.8
25TH %ILE	0.5	1.2	0.6	1.0	2.4	4.3
MEDIAN	0.3	0.9	0.4	0.7	1.9	3.1
75TH %ILE	0.2	0.7	0.1	0.4	1.5	2.3
95TH %ILE	0.1	0.3	-0.6	-0.1	0.9	1.7
1-3 Yr G/C	0.2	0.6	0.4	0.6	1.2	2.0

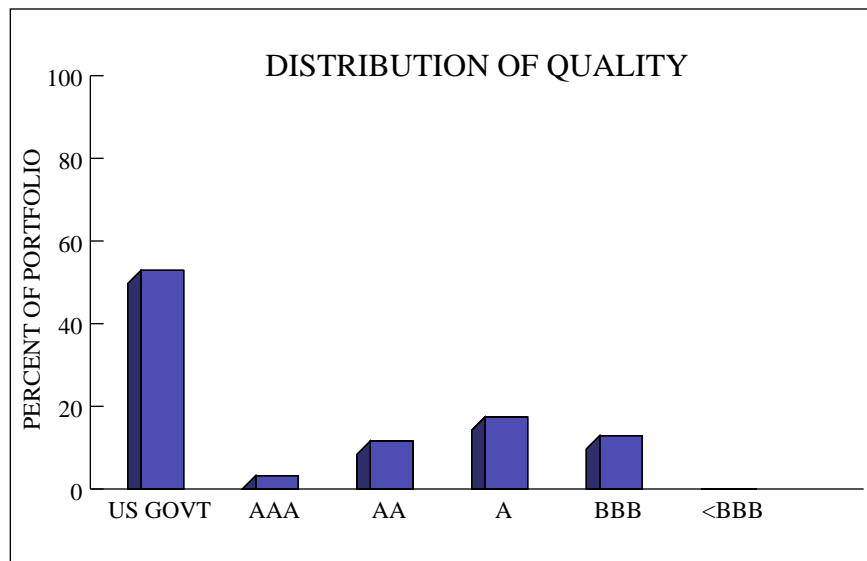
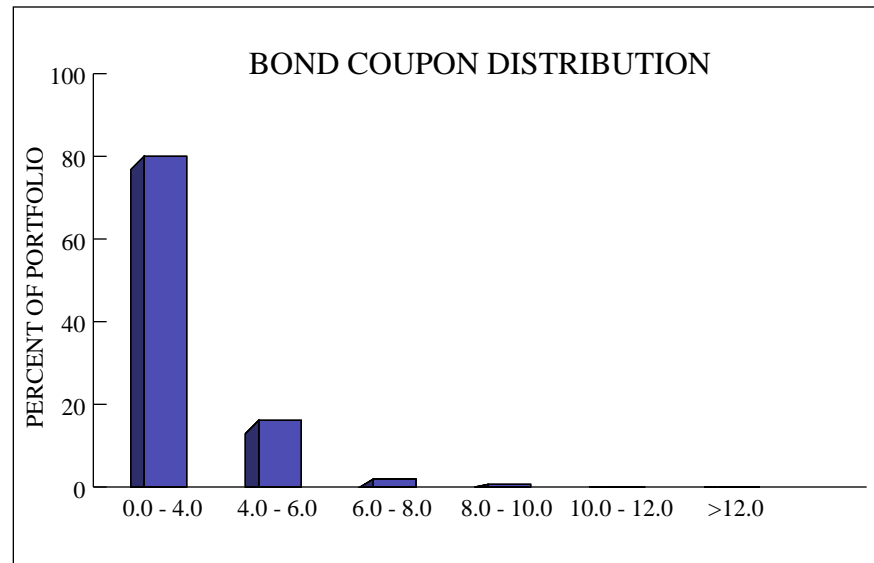
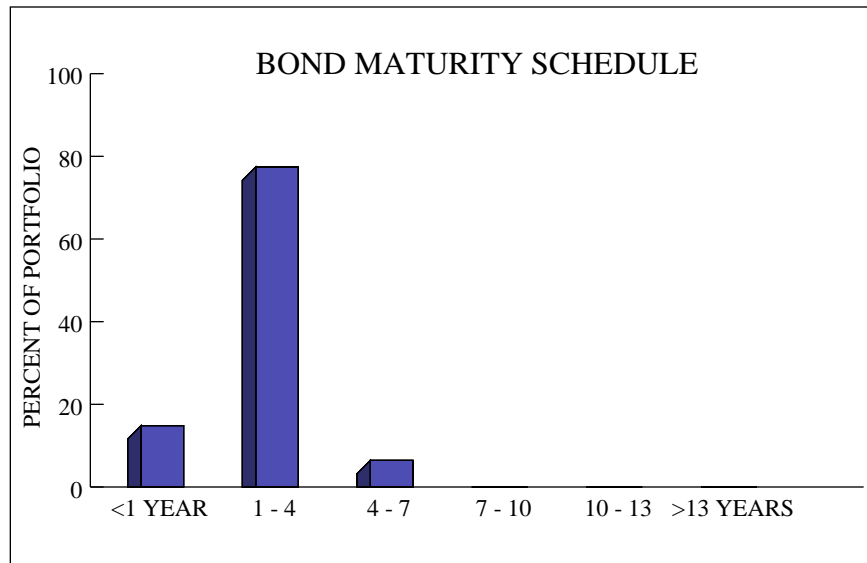
Short-Term Fixed Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: BARCLAYS 1-3 YEAR GOV/CREDIT****VARIATION FROM BENCHMARK**

Total Quarters Observed	9
Quarters At or Above the Benchmark	8
Quarters Below the Benchmark	1
Batting Average	.889

RATES OF RETURN

Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
12/11	0.8	0.2	0.6	0.8	0.2	0.6
3/12	1.5	0.4	1.1	2.2	0.6	1.6
6/12	0.4	0.2	0.2	2.6	0.8	1.8
9/12	1.1	0.5	0.6	3.7	1.4	2.3
12/12	0.3	0.2	0.1	4.0	1.5	2.5
3/13	0.3	0.2	0.1	4.3	1.7	2.6
6/13	-0.3	-0.1	-0.2	4.0	1.6	2.4
9/13	0.5	0.4	0.1	4.5	2.0	2.5
12/13	0.3	0.2	0.1	4.8	2.2	2.6

BOND CHARACTERISTICS

	PORTFOLIO	BC 1-3 GC
No. of Securities	102	1,490
Duration	1.57	1.91
YTM	0.66	0.57
Average Coupon	1.91	1.99
Avg Maturity / WAL	1.84	1.97
Average Quality	AAA-AA	USG-AAA